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IMPLICATIONS OF JOB SATISFACTION SHIFTS WITH DIFFERENT MERGER CATEGORIES:

STUDY OF MERGERS & ACQUISITIONS IN GEORGIAN FINANCIAL MARKET

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CHESTER BUSINESS SCHOOL

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And very special thanks to my wife and parents for giving me the courage, support and understanding.

I dedicate this dissertation to my newly born daughter Elene.

Abstract

This paper provides an important finding for the managers who believe that employee job satisfaction is a vital factor for the organisational health. Findings of this paper are especially useful for Georgian managers who are involved in M&A process and want to identify a crucial motivation determinant that shapes and influences job satisfaction.

This research examines the theory developed by Price Pritchett, Donald Robinson and Russell Clarkson stating that adversarial merger types tend to decrease employee job satisfaction and undermine economical benefit of particular M&A. Theory divides all mergers in four basic categories: Rescues, Collaborations, Contested situations and Raids according to their degree of collaboration. Authors illustrate M&A case studies demonstrating success of collaborative mergers and failure of adversarial ones.

Researcher tests precision of above mentioned theory in three Georgian post merger companies. Based on the interviews with the managers who have personally witnessed merger process of companies, researcher allocates merger deal to above mentioned four M&A categories. Then researcher measures shifts between employee pre and post merger job satisfaction using the satisfaction determinants proposed by famous satisfaction measurement instrument JDI (Job descriptive index) developed by Smith, Kendall, and Hulin.

Putting together merger categories and job satisfaction shifts in three specific Georgian companies' researcher examines relationship between cooperativeness of mergers and shifts in employee job satisfaction.

Declaration

This work is original and has not been submitted previously for any academic purpose. All secondary sources are acknowledged.

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1. Introduction

1.1. Background to the Research

Revenue enhancement, cost reduction, vertical or horizontal operational strategies, growth of the industry, need of product and service diversification – these are only few of reasons why mergers and acquisitions have become indivisible part of today's business environment. Indeed, constantly striving to develop and grow is a cornerstone of a prospering business. "Companies on a growth path will take away market share from competitors, create economic profits, and provide returns to shareholders. Those that do not grow tend to stagnate, lose customers and market share, and destroy shareholder value" – says research paper by Sherman and Hart (2006).

A paper by Fubini, Price, and Zollo (2006) states that only 49% of mergers prove to be successful evaluating them according to sufficient returns on the funds invested in. Moeller and Brandy (2007), state that almost 70% of all business mergers fail. Mclaney E. (2003) also argues that most of the M&A have negative economical effects and he applies to outcomes of number of studies conducted by other researchers such as Copper and Lyband (1993), Franks and Harris (1989), Meeks (1997) etc.

Opportunities and prospects provided by mergers seems to be so challenging that companies still continue involving in takeover procedures despite alarming M&A success statistics. The Authoritative guide for Post merger success by Pritchett, Robinso and Clarkson (1997) names variety of possible reasons contributing to so high failure rate in M&A statistics: Culture shock, increased ambiguity, variations in company operating style, lack of communication, team work deterioration etc. Various researchers examined M&A collapse reasons from various sides but almost all of them share the same opinion about importance of the human side in M&A deals. "Ignoring culture in Merger is a classic mistake" says Bob McGowan, professor at the University of Denver's Daniels Collage of

Business and considers human and cultural issues to be the major issues determining success of M&A deals (Beaudan and Smith, 2000).

After reviewing above mentioned studies researcher decided to base investigation on human side of M&A equation and test employee job satisfaction shifts with different merger categories. Based on investigation made in three Georgian financial organisations, researcher tried to identify satisfaction determinants effecting employee behavior and linking them with different M&A deal types.

1.2. Research Question

Because of their huge empirical influence on companies' performance, employee satisfaction determinants have always been subject of a hot discussion. These determinants were naturally considered during M&A planning and were paid even more attention during M&A integration process. Anyone who has witnessed integration procedure of two organisational units knows difficulties of uniting human resources. This process is far more difficult when it comes to stressed and tensed situation typical to Merger deals. What should be done to avoid employee dissatisfaction during the merger integration Process? Logically, special attention should be given to motivation determinants which vary according to employee position, living country, sex, age and etc. After identifying job satisfaction influencing determinants and ranking them by importance, shifts in employee satisfaction should be observed and compared as a result of studies undertaken in different merger categories. Researchers aim was to find and identify merger examples/types in Georgia where the hypothesis **"Employee job satisfaction decrease as a consequence of adversarial mergers and acquisitions"** could be rejected and vice versa. Correctness of this hypothesis is the research question of this paper.

After examining several M&A deals carried out in Georgia, research paper identifies prime satisfaction determinants that tend to change overall employee satisfaction and links them to different merger categories. Research proves that

integration of human resources have to be fulfiled in different ways with four different merger categories identified by Price Pritchett Donald Robinson and Russell Clarkson.

"**In which merger category is workforce motivation decreased and which motivation factors should mostly be considered to avoid it?**" Answering this question is a research objective to which the purpose of this paper will be dedicated. Answering this question, researcher will be able to identify features that determine success of particular takeover operation.

1.3. Justification for the Research

The interest to research topic was derived from the researcher's background as a director of retail sales department in Georgian insurance company Aldagi, which was involved in the biggest merger of Georgian insurance sector. The leading insurance company was acquired and merged with the smaller player of the Georgian insurance industry. The employees of both companies responded in variety of ways. During a merger process companies failed to sustain several valuable employees as well as number of major accounts.

When key employees start to leave, they don't do it without reasons. They have own set of principles, morale and logic that motivates them to behave in particular way. Witnessing above mentioned M&A deal, researcher realised how important it is for the manager to understand logic behind employee behavior during the M&A process.

Based on historical data, M&A deals showed increasing trend according to both, quantity of deals and volume of the funds exchanged. According to UK National Statistics data (2008) mergers and acquisitions have occurred in waves reaching peaks in early 1970's, late 1980's and late 1990's. Data analyses offered by Deal T. and Kennedy A. (1999) are highlighting increase in number of deals for Europe and US since year 1981. In 1997 the aggregate value of deals has reached 2$

trillion. This figure was doubled in 2000 and still continues to grow (Buckley and Ghauri, 2002).

Such trends in world statistics guarantees future popularity of M&A activity and consequent warmness of the research activity. Researcher feels that number of mergers will increase as a result of financial crisis and numerous subsequent company bankruptcies that will leave more room for further investigations.

Since following research is conducted in Georgian market and identifies determinants of Georgian employee job satisfaction shifts with different merger types, researcher considers outcomes of this investigation crucial for local managers. Importance of research results to local companies serves as a main justification for the research.

1.4. Methodology

According to the book "After the Merger" by Price Pritchett Donald Robinson and Russell Clarkson (1997), mergers are divided in four basic categories:

- Rescue (very cooperative)
- Collaboration (cooperative)
- Contested Situation   (adversarial)
- Raid (very adversarial)

Main differences between these merger types come from cooperativeness between acquired and acquiring parties. Since Georgia is developing country and has undergone only several M&A deals researcher's access to primary sources was limited. Studying only three cases of M&A researcher decided to simplify above model and divide mergers in three basic categories: "Rescue", "Collaboration" and "Raid". (These types of mergers will be carefully explained in following chapters). Another determinant that helping to distinguish between above mentioned merger categories is Timing. It has been found that collaborative merger types take more time for integration in comparison with adversarial merger categories (for more details see next chapter).

In order to compare employee job satisfaction shifts between above mentioned three merger types, three most popular mergers in Georgian market were selected and tested by researcher. First step was to match Georgian mergers with M&A Types suggested by Pritchett Robinson and Clarkson. Qualitative approach used in this research was face to face and semi-structured interviews with company managers. Paying attention to such factors as <u>cooperativeness</u> and <u>timing</u> of particular mergers, three Georgian Mergers were assigned to merger types identified by Pritchett Robinson and Clarkson.

Quantitative research instrument was questionnaire that tested employees' job satisfaction shifts and was constructed based on 5 basic job satisfaction measuring determinants:

- Nature of the Job Itself
- Compensations and Benefits
- Attitudes toward supervisors
- Relations with co-workers
- Promotion Opportunities

These determinants are copies of determinants used in most popular job satisfaction measure, Job Descriptive Index (JDI), developed by Smith, Kendall, and Hulin (1969). Instead of using exact questionnaire developed by Smith, Kendall, and Hulin, researcher replicated determinants introduced by Job Descriptive Index and constructed own research instrument.

Questionnaire developed by researcher, measured pre and post merger employee's job satisfaction. Subtracting current and past job satisfaction indexes (JSI) for every applicant, researcher was able to calculate value of job satisfaction shifts for both, personal and company levels. Major limitation of such research was the fact that researcher wasn't able to collect data from employees who left companies after the merger. Inability to include "merger victims" in sample probably

distorted findings but not to much extend as very few employees left companies in our particular Georgian merger examples.

Candidates were asked to rank 5 basic motivation factors according to importance. This ranking was used to give specific weights to motivation determinants and measure their influence on human behavior more accurately. Using these results researcher constructed own index for measuring employee job satisfaction. After collecting of research data, researcher was able to measure shifts in companywide employee satisfaction and linked them with merger categories of particular companies. (Model will be explained in following chapters).

1.5. Outline of the MBA dissertation

MBA dissertation starts with the introduction chapter that is followed by Literature Review chapter. Literature review chapter establishes framework to distinguish between different merger types and identifies motivation factors that are influential on employee job satisfaction. Chapter presents findings of previous researchers who studied human side of M&A and researchers who dedicated their papers to job satisfaction and motivation determinants. Literature review is followed by Methodology chapter aimed to explain a broad nature and style of thesis, to describe the major methodology, research philosophy and methods used to collect and analyse data. Findings chapter comes next and illustrates data obtained from qualitative and quantitative researches. Following chapter of Conclusions and Recommendations is most likely the most important in MBA dissertation as it presents conclusions derived from the findings of the study. Beginning with the critical evaluation of the adopted particular research methods and methodology, it goes on to present conclusions regarding each of the research objectives and about the research question of the investigation. MBA dissertation is finished with Recommendation chapter that presents researchers ideas and solutions based on based on the conclusion chapter

1.6. Definitions

BOG - Bank of Georgia

BR – Bank Republic

EBRD – European Bank for Reconstruction and Development

EPS – Earnings Per Share

HR – Human Resources

JDI - Job Descriptive Index

JSI – Job Satisfaction Index

JIG -Job in General scale

M&A – Mergers and Acquisitions

MMC - Mercer Management Consulting

MSQ -Minnesota satisfaction questionnaire

ROI – Return on Investment

SG - Societe Generale

UGB - United Georgian Bank

1.7. Conclusions

This chapter introduced reader to a brief project plan and primarily to research objectives and questions. Chapter verified researcher's interest to the research topic and demonstrated popularity of the selected subject matter among business professionals. Selected research methodology and methods were also justified and briefly discussed in this chapter. Chapter finished with outline of the whole MBA dissertation.

2. Literature Review

2.1. Introduction

Literature review chapter is to establish framework for distinguishing between different M&A types and seeking motivation factors that appear to be influential on employee job satisfaction. Chapter begins with introduction to M&A procedure and is followed by overview of recent studies dedicated to this topic. Together with M&A studies Literature Review chapter introduces theories that tried to link M&A process with human resource factor and job satisfaction. Chapter ends with presentation of various job satisfaction measuring instruments.

As researchers aim is to link job satisfaction with M&A process, literature review chapter focuses on qualitative researches that has less to do with M&A financial valuation but more with its human side. Second part of the chapter reviews theories about employee motivation and determinants influencing it.

After examining above mentioned theories, most appropriate ones are selected by researcher and described in this chapter. At the end of this chapter researcher presents conceptual model that links motivation theories to M&A ones and shows theoretical relationship between cooperativeness of M&A deals and satisfaction of company human resources.

2.2. Overview of M&A field

Constant striving to growth and development is an indivisible part of human nature. Behavior of world economy players is provoked by existence scarce resources. Pleasant things have always been scarce and the same can be said about success. The access to success is very limited and individuals, as stakeholders of particular profit oriented organisations, should go through a tough competition for it. Thousand of new companies are formed that replace existing ones every year. Alexandra Reed Lajeoux and Peter Nesvold in their book "Art of M&A structuring" (2004) compare risks and rewards of owning companies to torch

passed from runner to runner in an Olympic competition. Previous owners give up their exposures to risk and claims to returns, while new optimistic owners pick them up and continue running. Lajeoux and Nesvold identify three basic steps to be undertaken in order to pass the torch of ownership: buyers and sellers should agreement on price of transaction, on timing and terms of transaction and on structure of transaction. All of these steps are part of M&A study field. In the book merger is referred to situation when one entity disappears legally into the other and ceases it s existence. Acquisition is referred to transaction through which the stock or assets of a corporation come to be owned by a buyer. Corporate finance book by Ross, Westerfield and Jaffe interpret merger as forming of new corporate legal entity by consolidating two or more separate companies, whereas Acquisition is defined to be acquirement of a company from another one (Ross, Westerfield, Jaffe 2007). As these takeover forms are very close to each other with nature, they are used interchangeably in this dissertation. Jac Fitz-enz illustrates results of research conducted by Mercer Management Consulting in his latest book "The ROI of human capital" (2009). Looking at 217 transactions MMC found that 83% of deals don't add shareholder value, 66% miss original failure and 50% are said to be complete failures. Only 27% of deals appeared to be value adding for shareholders (Fitz-enz 2009).

Author of the book "Financial Institutions, Valuations, Mergers and Acquisitions" Zabihollah Rezaee introduces readers to M&A topic research history. Observing findings of M&A studies conducted in second part of the 20th century, reader can find much controversy and inconsistency. Smith.D finds no significant difference between profitability of merged firms over not- merged ones in his empirical study (Smith.D 1971). Piper and Weiss also confirm that acquisitions performed by bank holding companies have not caused significant increase in EPS (Piper and Weiss 1971). More recent studies performed by Palia, Gart and Al-jafari in 1993 show that merger premiums were caused by loosed regulations and not by particular positive synergies created by M&A procedures (Palia 1993 / Gart and Al-jafari 1993).

On the other hand there have been several researchers able to find improved financial resulted from M&A deals. Lev and Mandelker analysed areas of risk growth rate and company financial structures and were able to find evidence in increase shareholder returns after the merger (Lev and Mandelker 1972). Healy, Palepu and Ruback found significant improvements in operating cash flows resulting from business combinations (Healy, Palepu and Ruback 1992).

Analysing above mentioned studies Zabihollah Rezaee states that there has been no straight forward opinion about merger success. Despite such ambiguous research results companies still continue to engage in M&A procedures as they find hard to go against motivations forces behind M&A. Sherman and hart illustrate common seller and buyer motivations facilitating mutual transactions. Desire to growth and diversify, opportunity to increase profits, using excess capital, access to new emerging technologies diversification into new products or geographic markets are only several items in buyer motivation list. Motivation for company sellers range from age and health concerns to lack of successors that acts in a favor of M&A transactions (Sherman and Hart 2006).

2.3. Human Side of M&A

In the 21st century several studies were concentrated to find reasons behind M&A failure and Daniel and Metcalf were one of the first who tried to emphasise role of human resource in Mergers and acquisitions. Researchers state that having motivated workforce doesn't guarantee success of a company but company with demotivated employees will by fail to sustain longevity by all means, moreover if company is a product of a fresh M&A transaction (Daniel and Metcalf 2001). Sensitivity towards employees of acquired company is another important determinant influencing merger success identified by Daniel and Metcalf. "Acquiring companies need to show respect, compassion and fairness to the employees of acquired company. If you fail to show respect to their heritage and history, you will quickly lose any hope of building a solid relationship for the future" - say Daniel and Metcalf.

Fitz-Enz also links M&A success to employee satisfaction in the book "The ROI of human capital" and says that M&A is considered as only financial operation by business professionals and that's why deal makers pay less attention to HR issues. "It results in defective prioritisation of risk sources and causes majority mergers to fail" says Fits-Enz. Mark Clemente and David Greenspan in their survey of 370 companies showed that only 19% of respondents think that HR departments have enough technical knowledge to support M&A strategy development (Clemente and Greenspan, 1999). With this evidence Fitz-Enz explains the fact that HR department is often mistakenly mistreated. Other Researchers who succeeded to put a link between M&A and employee satisfaction were Price Pritchett, Donald Robinson and Russell Clarkson. In their book "After the Merger" they identify four M&A types which are: rescue, collaboration, contested situation, and raid. They differentiated M&A categories according to various features but outlined important distinguishing factors like Degree of M&A cooperativeness, Timing of the deal and Resistance to change. Analysing degree of cooperativeness and timing in conjunction with pre and post financial health of a deal enables researcher to find out merge category. Resistance to change is a dependant variable that is shaped by motivation factors and influenced by merger types. Such approach enabled reader to make a guess about job satisfaction shifts with different merger categories.

2.4. Cooperativeness

As mentioned above, Degree of cooperativeness is a major factor to be considered when identifying acquisition types. This relationship is shown on the following Figure 1 - Merger Types:

Figure 1 - Merger Types
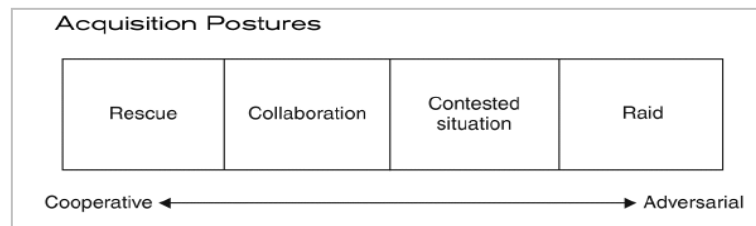
Source: Pritchett, Robinson and Clarkson 1997

Rescue involves the highest degree of cooperation between acquired and acquiring company. Though all of the four merger types create problems for corporate health, nature of takeover determines strength of trauma created by the acquisition process (Pritchett, Robinson, Clarkson 1997).

"Name of the merger type, Rescue, itself indicates that purchasing firm should be considered as a welcome party"- says paper by Pritchett, Robinson and Clarkson. Frequently rescue develops as a result of financial distress in acquired company. Financial distress is situation where a firm's operating cash flows are not sufficient enough to satisfy current obligations, such as trade credits or interest expenses (Ross, Westerfield, Jaffe, 2007). Such insolvency forces a company to take corrective measure, like financial restructuring, declaring bankruptcy, merging with another firm etc. Ross, Westerfield, Jaffe in their book "Corporate Finance" divides company insolvencies in two broad categories, Stock based insolvency and Flow based insolvency (see Figure 2 - Stock Based Insolvency & Figure 3 - Flow Based Insolvency).
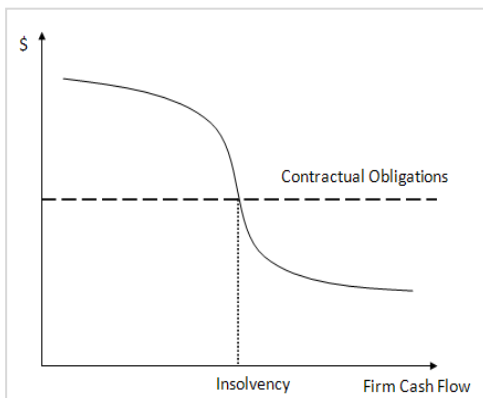
Figure 2 - Stock Based Insolvency   **Figure 3 - Flow Based Insolvency**
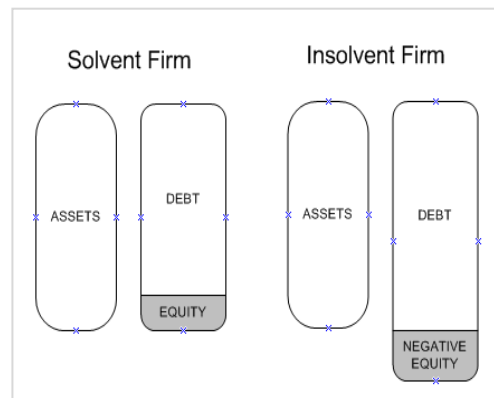
Source: Ross, Westerfield and Jaffe 2007

Stock based insolvency occurs when firm has a negative net worth, meaning that value of assets is less than value of debt. Flow based insolvency occurs when company doesn't have enough cash to satisfy contractual obligations. If financial distress is so severe that company can not negotiate its creditors and can't manage financial restructuring, it is forced to either liquidate assets and declaring final

bankruptcy, or to merge with another firm. In such cases it is probable merger to take a form of the Rescue. Financial distress in not an immediate process, as a rule it starts and lasts sometimes several years until company finds itself insolvent. It becomes apparent that management has made fundamental mistakes while running a company and has lost trustworthiness between employees and shareholders. After stagnated and hopeless operations it is not surprising that employees of acquired company realise need of changes, they show no resistance and facilitate cooperativeness of a merger. That is a reason why Rescue is considered as the most cooperative between the four categories of mergers (Ross, Westerfield, Jaffe, 2007).

Though Rescue is often developed as a result of the target firm's insolvency, it shouldn't be necessarily fiscal or monetary. Disclosure of financial fraud, faulty product, unexpected lawsuit or other damages to corporate image can cause distress to a company. In such case the only way to continue operation is to merge with competitor and destroy own brand awareness. In such situation extremely huge attention should be given to timing of a deal as revenues of a company together with cash reserves tend to plummet immediately. If the acquiring firm is on its financial leg and has good potential to take acquired firm from the distress, rescue will generate sense of relief and even improve employee satisfaction in a target company. It doesn't mean that acquirer will not face pockets of resistance (especially from the site of old management) but overall employee job satisfaction should increase as a result of new direction and management with a strong leadership senses (Ross, Westerfield, Jaffe, 2007).

Collaboration is a next merger type ranked number second according to degree of cooperation after the Rescue. Collaboration type falls into biggest percentage of merger categories and prove to be the most successful according to historical information. "One company wants to buy and another company wants to sell, or is persuaded to sell - so both parties approach bargaining table of their own choosing" – says Authoritative guide for Post merger success about collaboration

type. As collaborations are always prepared and predetermined they are often dealt without major mistakes. Realising advantages of potential positive synergies caused by successful collaboration, both parties try to use diplomacy and gain goodwill during negotiations. Ross, Westerfield and Jaffe outline three basic potential benefits from successful mergers. Revenue enhancement, cost reduction and tax gains are consequences to be expected from successful collaborations. As a saying of an unknown author goes "The deal is successful in case if both parties are satisfied with it". Indeed, negotiations during a collaboration merger category are carried out with more mutual respect in comparison with other merger types and tend to bring success synergies in Revenues costs and taxes (Pritchett, Robinson, Clarkson 1997).

If Collaboration merger type is the most appealing merger category why does it employ less collaboration by the workforce? Why is it considered as more adversarial than Rescue? It is explained by cost reduction sources (economies of scale, economies of vertical integration, complementary resources and elimination of inefficient management) presented in a book by Ross, Westerfield and Jaffe, 2007. Since collaborations are well planned and meticulously followed operations, they do a best job in eliminating inefficient management and gaining economies of scale by dismissing employees with duplicated duties. In contrast with a raid, collaboration tries to cut both, managerial and "not-managerial" positions after the merger. Threat of redundancy and increased ambiguity between employees hardly increase job satisfaction.

Contested situation is a next acquisition type after Raid and Collaboration ranked according to cooperativeness. It is difficult to distinguish contested situation from collaboration and raid. Contested situation normally involves triangle of companies, where two different companies are competing to merge with a third one. In such situation there are plenty of resistances coming from "to be acquired firm". It is often that shareholders of acquired company get a huge benefit out of deal when they see competition between bidding companies.

Shareholders of acquired company are always offered huge premiums from competing bidders. But as usual contested situations result in overall slowdown in productivity after the deal is consummated (Pritchett, Robinson, Clarkson 1997).

Raid is the most adversarial merger category between the four. During the Raid acquiring firm faces the maximum resistance from the part of the acquired company. Having information about potential hostile takeover bid, existing management always undermines reputation of the bidding company, trying to secure their current job positions with generating strong antagonism between employees. Sometimes resistance appears to be so high that it deteriorates communication between employees and the new management. However, it also happens that Raids are fulfiled by directly "tender offer", when existing shareholders are personally contacted and offered huge premiums over the market price of stocks. In such case offer is communicated without any intervention of existing managers and they hardly ever manage to get fresh information until the deal is fulfiled. If "tender offer" is not managed, acquiring firm may choose way of direct consolidation or acquisition of assets instead of shares. Last two forms are legally more straightforward than tender offer (acquisition of stock) but they should be approved by the vast majority of shareholders (Pritchett, Robinson, Clarkson 1997).

Motivation and job satisfaction of employees normally deteriorates after the Raid. First reason is emerged resistance. When employees realise approach of dramatic and immediate changes, they immediately start subconscious and emotional defensive resistance. "Situation is always complicated by existing managers who try to whip up employee concern. Moreover, during defensive resistance, more intense corporate spirit can develop that will be inevitably followed by dramatic disappointments after the deal is executed"- say Pritchett, Robinson and Clarkson.

2.5. Timing

Timing has been already named as the second most important determinant after degree of cooperativeness when distinguishing between four merger categories.

Figure 4 -Timing of Merger
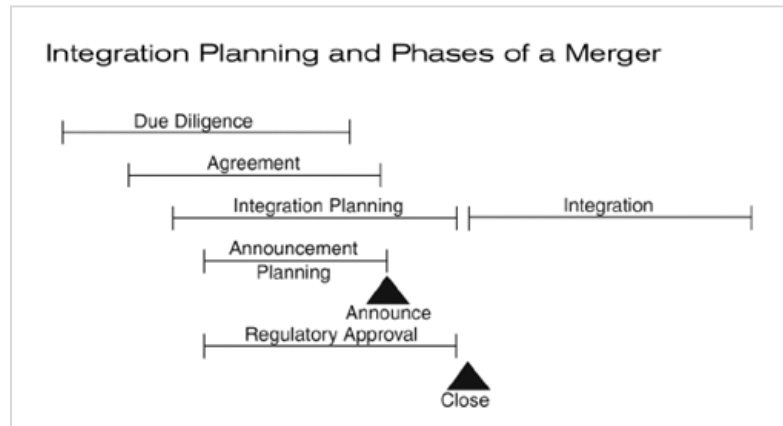
According to the authoritative guide for achieving post merger success by Pritchett, Robinson and Clarkson, there are 6 steps in integration and planning of a merger: Due diligence, Agreement, integration Planning, Announcement Planning, Regulatory approval and Integration (see Figure 4 -Timing of Merger).

Sequence of these steps remains same with different merger types but length of each step may differ dramatically. **Rescue** operation is often a result of acquired firms' financial distress. Inability to pay current liabilities will always result in immediate bankruptcy if management is not enough flexible to make needed corrections, and to make them as soon as possible. During financial distress time has extremely high value for a company and time pressures rarely permit sufficient analyses of a situation. Companies always find themselves in trouble during the integration process as they have shortage of time in data gathering and critical thinking during prior steps. This is a main reason why Rescues have worse success statistics in comparison with collaborations (Pritchett, Robinson, Clarkson 1997).

Raid is another merger category that rarely permits wasting of time during the acquisition process. Facing a huge resistance from "to be acquired company" bidder tries to execute deal as soon as possible and pushes transaction very hard. As a result acquirer also finds itself disappointed in a process of integration where unexpected and un-planned problems start to emerge.

Since **Collaborations** and Contested situations are better organised merger categories they take more time to be executed. During collaboration both parties know what they want from each other. They realise importance of timing and want to minimize mistakes. Parties always sit around the table and start negotiations lasting sometimes more than a year. After they finish negotiations cultural due diligence starts and sometimes it takes years for the deal to be fully executed (Pritchett, Robinson, Clarkson 1997). For comparison of four merger categories according to their timing see Figure 5 -Timing of different types of Mergers.

Figure 5 -Timing of different types of Mergers
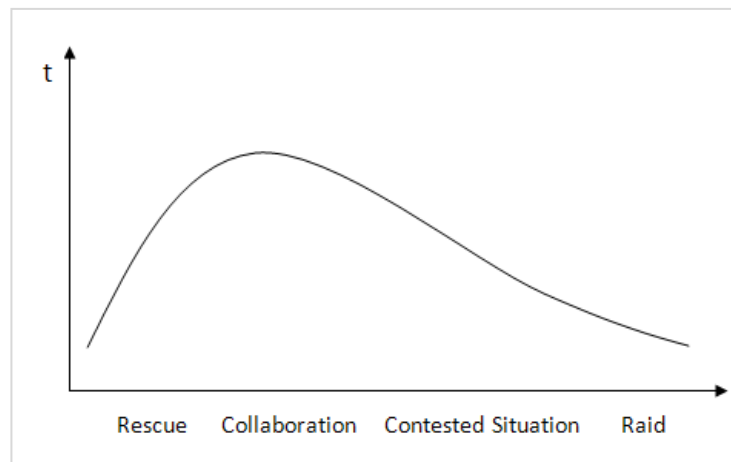
Adapted and Modified, Source: Daniel and Metcalf 2001

Daniel and Metcalf" have expressed different opinion about merger success and its timing in their book "Management of people in mergers and acquisitions. They find that companies with best histories in merger success are those who succeeded in rapid integration (Daniel and Metcalf 2001). They consider speed of transaction

as one of the main determinants in M&A success that puts findings of Pritchett, Robinson and Clarkson under the Damocles' sword.

2.6. Resistance to change

If employed, Mergers and Acquisitions are probably the major change in life cycle of any corporation. The changes resulted by M&A procedures are wide ranging as they may change everything starting from power structures to informal relationships between company workers. "The change management programme in M&A involves three types of change – change of the acquired firm, change of the acquiring firm and change in the attitude and behavior of both to accommodate co-existence or fusion of the two organisations" says Sudi Sudersanam in his book 'Creating value from Mergers and Acquisitions' (2003). Change of the acquiring firm is a rather rare occasion what can't be said about change of acquired firms' culture. During the **Raid** or **Rescue** merger types, acquiring firm has enough bargaining power to impose own cultural standards for acquired company. **Collaborations** and **Contested situations** often involve change management programme where both companies tend to change own approaches and conventional operating cultures. "The resistance is a logical result of any change that violates borders of employee's everyday job routine and that's why is it met with all Merger categories"- states Sudi Sudersanam. Resistance mainly demonstrates degree of opposition against potential merger and it becomes grater when one moves from cooperative merger type to adversarial.

Resistance is at the lowest level during the **Rescue** type of merger. Although during the Rescue acquired firm undergoes substantial changes (and this changes are often imposed by acquiring company), employees of target company always take it under their consideration. As recruits of "to be acquired" firm realise potential results of their company's financial distress, they normally welcome acquiring party and consider it as the only way out from current situation. Because of this reason, acquiring firm doesn't face any resistance from employees of Target Company during a financial salvage operation. The only potential

source of resistance during a Rescue category is existing management of "to be acquired company". They never want to admit mistakes that lead company to financial disaster and want to retain job places by pronouncing the incline of resistance.

Notwithstanding the fact that changes during **collaborations** and **contested situations** merger types are almost always pre-agreed by both parties, degree of resistance is more severe here than with a Rescue category. Collaborations and contested situations proved to be the most successful merger categories according to a low failure rate but they are always followed by mixed feelings among employees. "Mergers are driven by efficiency considerations and need for consolidation of operations, downsizing etc… that effects a large number of people. Their world is being turned over by the merger. This may generate fear, anxiety, anger and hostility towards the merger and acquirers' integration plans"- states Sudi Sudersanam in his book "Creating value from Mergers and Acquisitions" (2003). Indeed, collaborations and contested situation merger categories are more efficiency driven and always eliminate employees with duplicated duties. It causes polarisation of worker attitudes towards these acquisition categories. People who feel themselves under the threat of redundancy always go against attempts of acquiring company to gain economies of scale by cutting labor costs. The fact that collaborations and contested situations tend to be prolonged in time also increases degree of resistance.

Being followed by dramatic changes in corporate culture and operations, **Raids** usually involve highest degree of resistance. Raid is most adversarial type between the four and naturally causes feeling of protest among the workforce of Target Company. As a defensive tactic against inclined resistance authors of Raids always try to fasten negotiations and close the deal as soon as possible. Because of this reason Raids are statistically shortest merger types according to deal timing.

Resistance caused by the four merger categories is shown on the Figure 6 - Conceptual model applied to link different merger categories with shifts in job satisfaction- at the end of this chapter. Degree of resistance increases as a result of adversarial merger types and it is caused by shifts in specific motivation factors and consequent shifts in overall job satisfaction.

2.7. Job satisfaction and its measure instruments

According to business journal "Strategy and Organisation" (2007) employee job satisfaction is defined as "individual workers attitude towards their job, their cognitive and effective evaluation of it". It is not difficult to guess consequences of having unsatisfied employees, they are especially well described in the book of Fitz-Enz "ROI of human capital". Enz states that employees respond to their unhappiness slowing down their productivity, staying home or turning out sloppy work. On the other hand book states that it is not hard to retain motivated employees in case if managers open their eyes to very simple reasons that forces employees to work demotivated or to leave the company.

Leigh Branham from Saratoga institute describes reasons of employee dissatisfaction and he describes them in a book "The 7 hidden reasons Employees leave". They are:

- Job or workplace does not live up to expectations
- Stress from overwork and work-life imbalance
- Mismatch between the job and the person exists
- Too little coaching and/or feedback
- Loss of trust and confidence in senior leaders
- Too few growth and advancement opportunities
- Feeling devalued and unrecognised

First reason is difference *between workplace reality and expectations that employee had towards it*. Managers are rarely able to show realistic job preview to candidate, sometimes they even fail to create a realistic job description. It drives to the fact that workplace often doesn't live up to expectations and employees stay demotivated. *Stress from overwork and work-life unbalance* is second factor that arises from job type and influences employee satisfaction. Another source for job dissatisfaction arises from *mismatch between the job and particular person.* Branham states that managers often believe that talented individuals can cope with any kind of job type. In reality they are wrong and such perception places really talented individuals to inappropriate job place. *Too little coaching and feedback* is result of bad relations with experienced co-workers who rarely put efforts to help others. Source of dissatisfaction may come from senior workers as well, *loss of trust and confidence in senior leaders* is another factor described by Leigh Branham. *Few growth and advancement opportunities* are an obvious determinant influencing employee job satisfaction which was topic of numerous researches. Last hidden reason for employee dissatisfaction is *feeling of devalued and unrecognised.* This reason is particularly strong between employees of number and not people oriented companies.

2.8. Motivation factors determining job satisfaction

Compensation, security, work conditions, schedules, supervisors, job challenges and variety, these are only few of the motivation factors that was identified by various researchers. Combination of these factors was later used to introduce new tools measuring job satisfaction. MSQ (Minnesota satisfaction questionnaire), JIG (Job in General scale) and JDI (Job descriptive index) are most popular job satisfaction measurement instruments used by business professionals. According to Kerr (1985), the JDI "possesses good content validity, impressive construct validity, and adequate reliability," and ``very few instruments in Industrial-organisational psychology have received the attention of researchers that the JDI has". Nature of the Job Itself, Compensations and Benefits, Attitudes toward

supervisors, Relations with co-workers and Promotion Opportunities are five basic motivation determinants named by Smith, Kendall, and Hulin when introducing this instrument. Because of its simplicity researcher uses job descriptive index, while ignoring other instruments because of their complicated structure.

2.9. Conceptual model - Shift of motivation factors and merger types

After the merger, employees face changes in any aspect of their everyday job. They have to adapt to new working conditions, supervisors, new coworkers. It is quite often that they are transferred to new departments where they face different compensation package and promotion perspectives. Even if such changes are not to be occurring, their potential existence already causes ambiguity and therefore subsequent increase in resistance. Since probability of dramatic changes increases together with merger type hostility, logically increases degree of resistance together with it.

Saying nothing about deteriorated effectiveness, decreased job satisfaction can result in loss of key employees. Uncertainty resulted by mergers often leads to problems in key employee retention. It is obvious that managers and key specialists don't want to jeopardise their well being and start searching new appropriate job places. The merger is also a perfect time when firm's competitors start negotiations with key employees. Often these people are tempted to say "yes" with offers of more prestigious positions and better compensations from competitor companies (Pritchett, Robinson, Clarkson 1997).

Different merger categories differently influence decisive employee satisfaction factors. Change in these factors adjusts overall satisfaction that changes degree of resistance. *The aim of this paper is to identify which satisfaction factors are mostly influenced by mergers and which merger categories tend to increase or decrease these factors.* After identifying movements of these determinants,

overall job satisfaction shifts can be identified, that should be directly and positively correlated to employee resistance (Pritchett, Robinson, Clarkson 1997).

Figure 6 - Conceptual model applied to link different merger categories with shifts in job
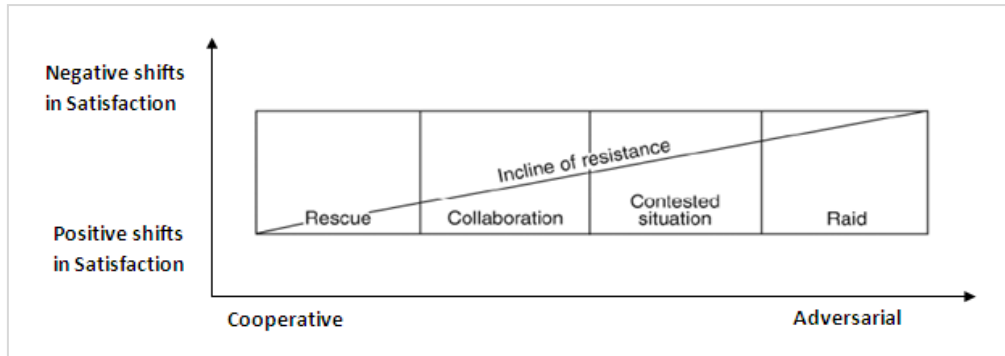
Adapted and modified, Source: Pritchett, Robinson, Clarkson 1997

Figure 6 - Conceptual model applied to link different merger categories with shifts in job satisfaction - illustrates positive theoretical relationship between workforce satisfaction and merger cooperativeness. This theoretical model states that adversarial merger types cause incline in workforce resistance decrease employee job satisfaction as a result.

Examining particular mergers in respect to their cooperativeness and timing, researcher will be able to identify their type (rescue, collaboration, contested situation, and raid). Subsequently researcher will identify important satisfaction determinants, examine shifts in job satisfaction between company employees and check whether adversarial mergers decrease workforce satisfaction.

To say in short, researcher will match satisfaction shifts with different merger categories and check in practice whether adversarial mergers really provoke decrease in workforce satisfaction or not.

2.10.   Conclusions

Literature review chapter established theoretical framework for allocating four basic M&A categories to specific merger deals and seeking motivation factors that are influential on employee job satisfaction in mergers. The review chapter started with overview of the studies made in M&A field within current and last

centuries. It went on to discuss studies dedicated especially to the human side of M&A procedures. The review introduced to the theory of Pritchett, Robinson and Clarkson and discussed four merger categories identified by them. It outlined findings of studies in terms of M&A cooperativeness and timing. This chapter also described importance of employee job satisfaction in general and briefly introduced reader to various job satisfaction measurement instruments. At the end Literature Review chapter explained conceptual model developed by researcher that links cooperativeness of mergers to shifts in job satisfaction.

3. Methodology

3.1. Introduction

This chapter is aimed to explain a broad nature and style of thesis, to describe the applied methodology and methods used to collect and analyse data. Chapter starts with discussion of research philosophy and particular research methods that are more or less appropriate for selected research topic. Chapter also provides justification for the selected methodology in terms of research problem and nature of the research to be undertaken. It continues to explain why particular research methods were considered inappropriate for research problem.

Methodology chapter also presents procedures undertaken during the questionnaire design and logic behind its structure. It is followed by illustration and discussion of research procedures of qualitative and quantitative data collection. In the end chapter tells about limitations of the research methodology and ethical considerations concerning the data collection.

3.2. Methodological Considerations

Since adopted research philosophy greatly influences assumptions about the way how researcher will approach to research problem, researcher reviewed different theoretical and philosophical approaches when planning the project, choosing a topic, conducting research.

Epistemology is a Greek word and word by word means the theory of knowledge. Epistemology is a branch of philosophy which is concerned with the nature, scope and limitations of knowledge. It studies various research philosophies like Positivism, Realism, Critical realism, Interpretivism, Naturalism etc. These research philosophies have different view of the relationship between knowledge and the process by which it is developed (Saunders, Lewis, and Thornhill 2007).

Colin Fisher states that Positivism, Realism and Interpretivism are research methodologies that are mostly used in Business filed (Fisher et al. 2007). Researcher also feels that above mentioned three philosophical views that are more close to research topic about mergers and acquisitions and motivation factors influenced by them.

Colin fisher describes **positivism** as research philosophy which assumes existence of an accurate and value-free knowledge, which holds out the possibility that human beings and their actions can be studied objectively as a neutral world. Researcher who adopted positivism as a research philosophy will probably be more concerned with facts rather than feelings and assumptions. S/he will scientifically study the tangible aspects of human activity (behavior, speech), rather than intangible. "Such researcher will try to select appropriate research topic and identify facts that are consistent observable social reality" says Fisher. After observing social reality intention would be to 'produce general (sometimes called "covering") laws that can be used to predict behavior, in terms of probability at least, if not with absolute certainty' (Fisher 2007).

Realism is another branch of epistemology which is similar to positivism as it assumes a scientific approach to the development of knowledge. Main differentiating feature that distinguishes realism from positivism is that it 'makes fewer claims to knowledge that perfectly mirrors the objects of study' (Fisher 2007). Though realism recognises subjective nature of research and the inevitable role of values in it, philosophy states that knowledge of reality cannot be understood independently of social factors involved in knowledge derivation process. Realism recognises the importance of understanding people's socially constructed interpretations and meanings, or subjective reality, within the context of broader social forces, structures or processes that influence and perhaps constrain the nature of people's views and behaviors (Saunders et al., 2003).

Because if the fact that realists recognise role of subjectivity they are less limited in interpreting research results. It often causes existence of competing theories

and inexistence of well approved relationship between reality and knowledge of particular things.

Interpretivism, also referred to as **Phenomenology**, holds the position that it is necessary to explore the subjective meanings motivating peoples actions in order to be able to understand these. Advocators of Interpretivism argue about complexity of social world of business and management. They state that today's' business world is far too complex to be theorised by definite 'laws' in the same way as physical sciences (Saunders et al. 2003). Book by Saunders, Lewis and Thornhill states, that Interpretivism is an epistemology that advocates necessity for the researcher to understand differences between humans in the role of social actors. This emphasises difference between research conducted among people and among other objects like trucks or computers. It means that peoples understanding of 'reality' is not simple enough to be reduced entirely to a series of 'law-like' generalisations, but it is something people in societies and groups form from the following (Colin Fisher 2007):

- Their interpretation of reality which is influenced by their values and their way of observing world
- Other peoples interpretation that surround them and are mostly past of the same society
- The compromises and agreements that arise out of the negotiations between the first two.

Interpretive research doesn't accept existence of standard interpretation of particular topic. Because of this fact Interpretivism leaves even larger room for controversial interpretations of the same research materials, this immediately raises questions about generalisability of particular business and management theories. However followers of Interpretivism argue that 'generalisability is not of a crucial importance as world faces reality of constantly changing business environment (Saunders et al. 2003).

Practically there is no business research paper that doesn't involve using of particular existing theory as a basis. After selection of appropriate research philosophy, raises important question regarding design of the research project. There are two approaches when designing the research: Deductive approach and Inductive approach. **Deduction** is defined as making a specific inference from a general law. In arguements deduction basically proceeds from general to particular**.** Deductive approach implies that the researcher uses existing theory or develops a new one based on proper logic before s/he designs a research strategy to test the hypothesis Robson (2002) as cited in Saunders et al. (2007) lists five sequential stages through which deductive research will progress: (1) deducting a hypothesis – which means identifying relationship between variables based on existing theory or sound logic; (2) expressing the hypothesis in operational terms – which implies exactly how variables are to be measured; (3) testing the operational hypothesis - which will involve experiment or other form of empirical inquiry; (4) examining the specific outcome of the inquiry – that will either confirm adopted/developed theory or indicate the need of its correction; (5) modifying the theory in the light of findings, if necessary (Saunders et al. 2007)

Induction is basically opposite to deduction and implies that general conclusions are drawn from past experience and experimentation. 'Having deducted some practical consequences researcher can go out and do research to see whether they can be observed or not. If deductions seem to be correct induction comes into play. Basically 'induction is a process of drawing general conclusions from specific and detailed findings' (Fisher 2007). After forming theoretical framework with the usage of deduction, researcher can test its correctness by undertaking induction method.

As for methods of data collection and analyses, there are two well known approaches, quantitative and qualitative data collection. **Quantitative** is used basically as a synonym of data collection technique or data analyses procedure that generates or uses numerical data. On the other hand **Qualitative** is used

predominantly as a synonym for any data collection technique that produces and analyses non-numerical data. Quantitative methods are linked with surveys and questionnaires, whereas Qualitative methods are concerned with observations, interviews and focus groups (Saunders et al. 2007). Selection between these two methods depends on the type of the research topic and field of the study itself. From a Positivist view, the researchers approach will utilise Quantitative techniques, which according to Sekaran (2002) ' generally converts observations into discrete units that can be compared with other units by statistical analysis, they focus on explanation, prediction and proof', whereas followers of phenomenology would prefer qualitative approaches in order to better interpret collected information.

3.3. Justification of selected paradigm, and methodology

The application of the theoretical approach began with the identification of the research objectives. The interest to research topic derived from the researcher's background as a director of retail sales department of Georgian insurance company which got involved in one of the biggest mergers in Georgian insurance sector. The largest insurance company was acquired and merged with one of the smaller players of the insurance industry. The employees of both companies responded in variety of ways. During a merger process companies failed to sustain several valuable employees as well as number of major accounts. Researcher felt that very shortly after the merger overall employee motivation decreased which caused deterioration of employee performance. Such shift in motivation seemed strange as there were no significant changes in average salary (which was considered to be the most influencing factor on workforce satisfaction by existing management). As a director of retail sales department researcher felt great interest to find out potential satisfaction factors that changed overall satisfaction rate in a company.

Initially researcher planned to conduct study in post USSR countries and observe M&A process of up to 8 companies. In this way researcher would have more or

less generalised study results and would have drawn better overall conclusions. Due to Constraints in time and financial resources researcher decided to limit study with only Georgian market and observe M&A process of three biggest mergers in country. Companies involved in mergers were the following:

- United Georgian Bank & VTB Bank
- Bank Republic & Societe General Group
- Aldagi Insurance company & BCI Group

The idea of researching these three mergers became particularly interesting when managers of above mentioned companies started discussions about different shifts in workforce motivation. Various responses from the site of company employees became evident shortly after merger closings when employees made their final conclusion of merger that took place on their company and draw conclusions from them.

The first step to undertake was to explore historical evidence provided by mergers. This study was done through literature review that allowed researcher to better identify different merger categories causing various shifts in workforce satisfaction. After reviewing appropriate literature and evidence illustrated by previous studies, researches was able to finalise research question – *In which merger category is workforce satisfaction decreased and with satisfaction factors should mostly be considered by the managers to avoid it.*

Like most of researches, this study one also falls in the middle of different research philosophies. Book by Colin fisher, about researching and writing dissertation states that "such thing as strategy and job satisfaction cannot be measured and studied in the same way as chemical and physical processes. However researchers believe that worldwide attempt can be made to fix these subjects and treat them as if they are independent variables". Because of this reason it was research methodologies like idealism and particularly post-modernism are immediately rejected. Following a simple logic and advices

provided by guidebooks for writing business dissertations it is evident that this study falls somewhere between realism and Interpretivism. As our research limits itself to only three companies it gets more closer to Interpretivism and limits its findings only company or nationwide. Because of small sample this paper cannot claim to be studying objective reality (which of course exists but is less interesting than the way people make a sense of it), it pays attention to people of particular culture and particular accounts that they give to issues and topics (Fisher 2007). Particular people from particular cultural background may place different interpretations on the situations in which they find themselves and these interpretations are likely to affect their actions. Because of this reason researcher feels that Interpretivism would be the most appropriate research methodology to be applied for this study.

3.4. Rejected methods

In order to test hypothesis – *Employee job satisfaction decrease as a consequence of adversarial mergers and acquisitions* – researcher had first to allocate case study deals to four basic merger categories described in Literature Review chapter through interviews with managers and then measure shifts in workforce satisfaction in these three companies. As selected research philosophy (Interpretivism) encourages usage of both quantitative and quantitative research methods, researcher was measured workforce satisfaction and satisfaction shifts using questionnaires. Qualitative methods, like focus group interviews were rejected when measuring employee job satisfaction but were used during interviews with company executives.

3.5. Research Design

It is evident that this research was designed according to deduction approach – first developing a theoretical framework, general law, and then testing it. After reviewing appropriate literature, researcher combined existing theories and formed new conceptual model that links workforce satisfaction changes with different merger categories (see Figure 6). After identifying logical relationship

between this variables researcher constructed a questionnaire measuring shifts in employee job satisfaction. At the end researcher examined the outcome from the data collected and tested the hypothesis derived from conceptual model.

As for the research methods, both qualitative and quantitative approaches were used in collection and analysing of data. According to Tashakorry and Teddie (1998) mixed method is useful as it gives opportunity for the qualitative data to be collected and analysed qualitatively and quantitative data to be collected and analysed quantitatively. After selecting a company, researcher was first interviewing managers who participated in M&A process and was collecting information about merger details. After allocating particular company to a specific merger type and getting permission for distributing questionnaires between employees researcher was conducting qualitative research.

A Collin fisher (2007) state that, collecting of qualitative data requires more planning and designing than collecting of quantitative data. He coins six main steps in planning interviews:

- Roughly sorting and listing areas of questioning.
- Editing and prioritising questions.
- Considering methods used to analyse questions.
- Deciding which questions are going to be open and which closed.
- Putting questions into sequence.
- Checking the questions for the relevance to research topic.

Researchers aim was to meet managers of all of the three companies formed after the merger and collect qualitative data from them. After interviews with mangers of particular companies' researcher had to obtain enough information to make sure that s/he could guess enough quantity of employees for quantitative research sample and to allocate particular merger type to four basic M&A types discussed in literature review chapter.

When designing the interview outline researcher started with identifying broad areas of questioning. After the interview researcher strived to have information about enough number of respondents for quantitative study in order to obtain no more than 10% margin of error in sample survey results with at least 80% confidence level. In order to get this information researches aim was to find out (1) current number of employees in the organisation, (2) approximate number of newcomers after the merger and (3) approximate number of employees who left organisation after the merger.

Another challenge for researcher was to allocate one of the four basic merger types (rescue, collaboration, contested situation, raid) to particular merger deal. Literature review chapter suggested mainly (1) cooperativeness, (2) timing of M&A procedure to be paid attention in the process of classifying merger types.

Researcher identified dozen of questions from above mentioned questioning areas and filtered down them to six after checking their relevance. Questions were listed according to priority – easy questions about employee quantities and research sample was followed by difficult ones about the merger classification. Questions about employees were decided to be closed because of their simplicity but questions regarding merger cooperativeness, timing was left open because of their complexity (see Annex 1 – Questionnaire for interviewing company managers).

After designing qualitative research, researcher was ready to design questionnaire which would collect quantitative data and measure overall job satisfaction shifts in companies.

According to the book "Research methods for business students" by Saunders, Lewis and Thornhill questionnaire should meet 5 criterions in order to maximize the response rate, validity and reliability of collected data. These criterions are:

- Lucid explanation of the purpose of the questionnaire.
- Clear layout of the questionnaire form.
- Careful design of individual questions.

- Pilot testing.
- Careful planning and management.

Following these criterions researcher tried to construct effective questionnaire measuring shifts in employee job satisfaction (See Annex 2 - Questionnaire for measuring employee job satisfactions). Research instrument started with a cover page, where the researcher introduced himself to the respondents and explained the purpose of the questionnaire. Cover page, as well as a whole questionnaire was written in both Georgian and English languages in order to minimize potential errors caused by wrongly perceived questions. In addition to explaining the purpose of the questionnaire, cover page included first general question about the ranking of job satisfaction determinants. Applicants were asked to rank five basic job satisfaction factors (suggested by JDI) from 1 to 5 according to their importance. Allocating same importance to different satisfaction determinants was not allowed. Importance of each determinant determined weight of this particular determinant in job satisfaction index (see Table 1 - Ranking system of Job satisfaction determinants)

Table 1 - Ranking system of Job satisfaction determinants

Ranking	Meaning	Weight in the Index
5	Very Important	33%
4	Important	27%
3	Neutral	20%
2	Unimportant	13%
1	Very unimportant	7%

Next two questions asked for general (age and sex) information so that the sample population could be segmented.

Second part of the questionnaire checked employees' satisfaction rate with their current company (post merger). Current satisfaction of the particular employee was measured based on five questions about five basic satisfaction determinants offered by GDI. These five questions checked respondent's satisfaction with (1)

nature of the Job itself, (2) compensations and benefits, (3) attitudes towards supervisors, (4) relations with co-workers and (5) promotion opportunities. Applicants were asked to express their feelings about above mentioned determinants and to describe them as Very good, Good, Average, Bad and Very bad (see Table 2 - Points assigned to satisfaction determinants in the questionnaire):

Table 2 - Points assigned to satisfaction determinants in the questionnaire

Feeling about Satisfaction Determinant	Point
Very good	1
Good	0.5
Average	0
Bad	-0.5
Very bad	-1

When multiplying each satisfaction factor's weight to the point earned and adding up these five numbers, researcher could get job satisfaction index of the value of maximum 1 and minimum -1. Logic behind the calculations is shown in Annex 3 – Calculating of Job Satisfaction Index. Positive value of the index would logically show that applicant was satisfied with the job and negative value would show that s/he was dissatisfied. Taking any value between the range [-1: 1] this simple but innovative index showed not only satisfaction or dissatisfaction of the applicant, but intensity of this feeling.

Third part of the questionnaire consisted with the same 5 questions about five satisfaction factors and measured applicants' satisfaction index with their previous job in a previous company (*Pre merger*). After measuring current and past satisfaction indexes, identifying of shift in overall job satisfaction was very easy using simple deduction. Such approach enabled researcher to identify whether shift was positive or negative, but to see how intensive this shift was (see Annex 3).

3.6. Piloting

After constructing a draught questionnaire it was pilot-tested on 5 volunteer applicants at VTB bank to ensure its reliability and user friendliness. After completing the questionnaire these 5 respondents were asked for comments about the structure, length and user-friendliness of the research instrument. Feedback from the pilot group was generally positive 4 out of 5 respondents commented about question formats. They said only three rating scales (Good, average, and Bad) was encouraging them to select "average" in every question with word rating scales. Researcher changed "rating scale" questions and made them with five semantic differentials: (1) Very good, (2) Good, (3) Average, (4) Bad, and (5) Very bad. After pilot-testing the questionnaire and improving the research instrument as mentioned above, the final version (presented in Appendix 2) was distributed among employees of three Georgian companies, VTB Bank, Bank Republic SG, and Aldagi BCI.

3.7. Research procedures

Both, qualitative and quantitative researches were conducted in headquarters of the following companies with the following order: (1) VTB bank, (2), Aldagi BCI and (3) Bank Republic Sosiete Generale. Researcher first interviewed general directors of above mentioned companies, collected information about the merger itself and company's human resources. It helped researcher in allocating particular company to specific merger type and in drawing conclusions about the type and size of a sample needed to measure overall workforce job satisfaction shift in a company.

After conducting qualitative study, researcher was permitted to conduct qualitative study. Based on the interviews, researcher collected information about the quantity of employees in companies that enabled him to calculate sample size. While accepting 80% confidence level and 10% margin of error, researcher needed to collect 40 completed questionnaires in VTB bank, 36 completed

questionnaires in Aldagi BCI insurance, and 40 completed questionnaires in Bank Republic Sosiete Generale.

Distribution of the survey instrument was done by the researcher personally. This approach to surveying seemed to be the best appropriate as it considerably simplified a data collection process. In the month of October 2009, researcher distributed 150 questionnaires to the headquarters of three companies. Before distributing survey instrument to particular applicants and asking them to answer to 13 multiple choices, researches was explaining nature and objectives of the research to them. Questionnaires were mostly distributed the first half of the working day and all of the applicants were asked to complete questionnaires after the lunch. In order to insure completeness of research instrument, researcher was personally collecting completed questionnaires and was offering help if it was needed.

Paying that much attention to research procedures researcher managed to get back all of the 150 completed questionnaires, out of which 13 appeared to be incomplete. 87.3% return rate of completed questionnaires was considered more than satisfactory. Ability to achieve so high response rate was perhaps caused by Aldagi BCI being the company where researcher worked in previous years and VTB bank, being the company where researcher works nowadays time. Having connections in all of the three companies, it was not difficult for the researcher to get permission for interviews for the data collection. The survey questionnaires were analysed using Microsoft Excel spreadsheets after some days of completion of data collection.

3.8. Limitations of the Research Methods Adopted

Main limitation of conducted research was small size of the sample. Due to a time constraints researcher had to cut size of the sample and accept only 80% confidence level in exactness of results, with 10% margin of error. Colin Fisher states that "size of sample one needs depends in part on the size of the margin of

error researcher are prepared to accept and the size of the population from which researcher wants to take sample".

3.9. Ethical considerations

Being a manager in one of the case study companies (VTB Bank Georgia), researcher realised potential ethical issues that may have been caused. In order to keep confidentiality of the respondents, they were not asked indicate their name on the research instrument.

Researcher explained to employees of own company that he conducted research not as a manager in particular company, but as an MBA student in Chester University. This helped respondents to relax when filling a page of a questionnaire which measured their satisfaction with the current job.

3.10.   Conclusions

This chapter introduced and established the methodology and justification for this research. It started with the general discussion about research philosophy and particular research methods applicable to these theoretical paradigms. Methodology chapter provided justification of the selected methodology and research methods in terms of the research problem and literature review. It went on to explain why particular methods were rejected. Procedures of quantitative and qualitative questionnaire construction and usage were also presented in this chapter followed by discussing potential limitations in the adopted research methods.   Chapter ended with brief presentation of ethical issues that were considered during the research process.

4. Findings

4.1. Introduction

This chapter presents findings of the study based on the results of the qualitative and quantitative survey undertaken during this research. Results were obtained via interviewing company managers and conducting quantitative survey among company employees. The chapter starts with discussion of selected methodology and continues with presentation of research findings. Chapter presents general information about companies and results of qualitative research – interviews with company executives. It goes on to present findings of the quantitative research starting with the provision of general information about the sample. General (demographic) information is followed by presenting core findings – identifying satisfaction determinants that are most influential on employee general satisfaction. The final section of the chapter reveals survey findings by companies and measures shifts in 5 satisfaction determinants which drive to shifts in overall employee satisfaction.

4.2. Application of Methodology

Since this paper is studying human side of the M&A deals it is nonsense to generalise research findings on the world population. Moreover, because of the fact that research was conducted between employees of only three Georgian companies, this paper pays attention to behavior of people that are part of particular culture and particular society. All of the above mentioned reasons made researcher to adopt Interpretivist paradigm while preparing dissertation paper. This methodological approach was chosen in order to achieve the objectives of the current study, which is to identify satisfaction factors that are mostly influenced by the mergers and to find out which merger categories tend to decrease or increase them. Researcher collected general information about the sample companies which helped him to guess number of needed employee sample for qualitative research. Specific merger categories were assigned to companies

based on face-to-face interview with company managers. Analysis of the findings of qualitative research were conducted through the standardisation of the numerical data in Microsoft excel. Based on the meanings derived from numbers shifts in general job satisfaction according to shifts satisfaction determinants were measured.

4.3. Findings of Research

This section of the chapter presents findings of the study in the sequence of the researches conducted by the researcher. Three Chief executive officers of the three selected companies were interviewed by researcher. Managers were selected according to very simple criteria – they themselves witnessed and lead-managed a M&A deal execution. Interviews with company CEOs were aimed to collect general information about the company itself and to get answers on specific questions about (1) company employees and their turnover dynamics, (2) timing of the merger, (3) cooperativeness between acquired and acquiring companies' managers and (4) pre and post merger financial stabilities (See interview questionnaire checklist – Annex 1). Information about companies' staff enabled researcher to calculate needed number of employees to build a good sample and conduct reliable qualitative research between the staff of the following organisations:

- VTB Bank Georgia
- Bank Republic Societe Generale Group
- Aldagi BCI insurance company

150 questionnaires were randomly distributed in head offices of selected companies. Questionnaire measured job satisfaction shift of each applicant based on the changes in job satisfaction determinants. Out of there 150 questionnaires 13 were returned with incomplete information and the rest 137 were used for analyses.

After discovering population size (total number of employees) in selected companies researcher was ready to calculate needed number of employee samples to achieve desired maximum margin of error 10% and minimum confidence level of 80%. Calculations were performed using web calculator of Raosoft Inc (http://www.raosoft.com/samplesize.html). Calculations showed that desired research preciseness could have been achieved by gathering 40, 36 and 41 questionnaires respectively in VTB Bank of Georgia, Bank Republic Societe Generale and Aldagi BCI insurance company.

4.3.1. General information about interview results

First interview was taken from former CEO and current chairman of VTB Bank Georgia Evgeni Namerinsky. Researcher found out that VTB Bank Georgia was established in 1994 after the merger of United Georgian Bank (UGB) and VTB Group. VTB group is international Financial Organisation of Russian origin operating in 17 different countries. VTB Bank Georgia became member of the VTB Group after 2005 and nowadays holds position between several international banks in Georgia and possesses assets of more than US 250 million dollars. Based on the interview with Mr. Evgeni Namerinsky researcher find out that company employs up to 780 people and had approximately 5% stuff turnover after the merger. To be more specific, company received 3% (of the total workforce) new employees after the merger and 5% employees left the company after the M&A deal was closed. Evgeni said that merger was initiated by shareholders and managers of UGB. Managers of UGB have put a lot of efforts to find acquiring company and to execute deal as soon as possible. Within three months after finding of potential buyer UGB was acquired by VTB Group and deal was closed. "Such effectiveness in timing was caused by cooperativeness between managements of the two companies"- says Mr. Evgeni in his interview. Having a very low liquidity, UGB has tried hard to cooperate with VTB Group in hope of financial salvation. With the intermediation of European Bank for Reconstruction and Development (EBRD) desperate management of UGB connected VTB

Group. After three months UGB shareholders managed to sell 86.45% of the company. Merger with famous Russian financial group helped VTB Georgia to increase liquidity and market share from 2.5% to 4.5%, to update dilapidated IT platform and to improve reputation of the bank.

Second interview was taken from Mr. Giga Katsia, Former CEO of **Bank Republic (BR),** who led managed bank's merger deals with Societe Generale Group (SG). Mr. Giga shared brief history of BR and said that BR is one of the oldest Georgian privately owned banks that was founded in 1991. Shareholders of banks sold 60% of ownership to Societe Generale Group in 2006 that enabled Bank Republic SG to offer variety of universal banking services and to capture up to 10% of the growing Georgian banking sector. Currently BR SG employs more than 1200 people and operates more than 60 branch offices in the country. Company faced 3% staff bailouts after the merger and employed more than 100 new staff members after then. Concerning the M&A deal, Mr. Giga described long process of deal execution. In case of BR and SG, EBRD was again the only bank who facilitated negotiations between BR and Societe Generale Group. Back then, BR was facing increased competition from leading Georgian banks (Bank of Georgia and TBC Bank) and was gradually losing the market share. Management of company planned expansion of the bank using external funds and decided to sell the equity. It took up to **eighteen** months to close merger deal between BR and SG and to form new entity, Bank Republic Sosiete Generale. Mr. Giga spoke about breathtaking due diligence process that took more than a year. As a result of this merger BR SG managed to increase market share from 4.3% up to 10% by gaining strong brand awareness. Company faced growth in profitability and was the only bank in Georgia who managed not to stop retail lending operations during the financial crisis.

Third company hosting researcher was **Aldagi BCI** insurance company. George Tkhelidze, Former CEO of Aldagi Insurance Company was a person who executed M&A deal between Aldagi and BCI in 2005. He agreed to give a short

interview and provided information about M&A participant companies. Aldagi, established in 1990, was a first insurance company in Georgian market. 100% of company's shares were purchased by the BCI Company (Daughter Company of the largest Georgian bank - BOG) in 1995. Merger of these companies established a new entity (Aldagi BCI) which back than took care of almost half of the Georgian insurance market. Employing more than 250 people Aldagi BCI offers up to 80 insurance services to Georgian market and holds leading position in its segment. Company faced loss of significant number of employees after the merger (15%) and employed just 1% new employees after the deal closing. Mr. George told how sudden deal for existing management of Aldagi was - "Being on corporate trip to Batumi (Adjarian Region) with my management team, I was informed by the telephone about the takeover". Later it became evident that shareholders were offered huge premiums for shares by the management of BCI company that turned merger into hostile takeover process. Takeover process was completed after **four** months and additional 2 months was required to rebrand the company. George Tkhelidze left the company right after completion of the merger deal together with his management. By that time Aldagi BCI increased its market share to 45% that was gradually decreased to current 30%. Since Mr. George left Aldagi BCI Company was hard for him to make comments about company's pre and post merger financial healthiness. Either because of the world's financial crisis or unsuccessful merger, it is fact that company generates constant net loss during last three years.

4.3.2. General Information about questionnaire results

First three questions of the research questionnaire asked respondents to indicate their gender, their age and to rank job satisfaction determinants according to their importance (see Figure 7 & Figure 8).

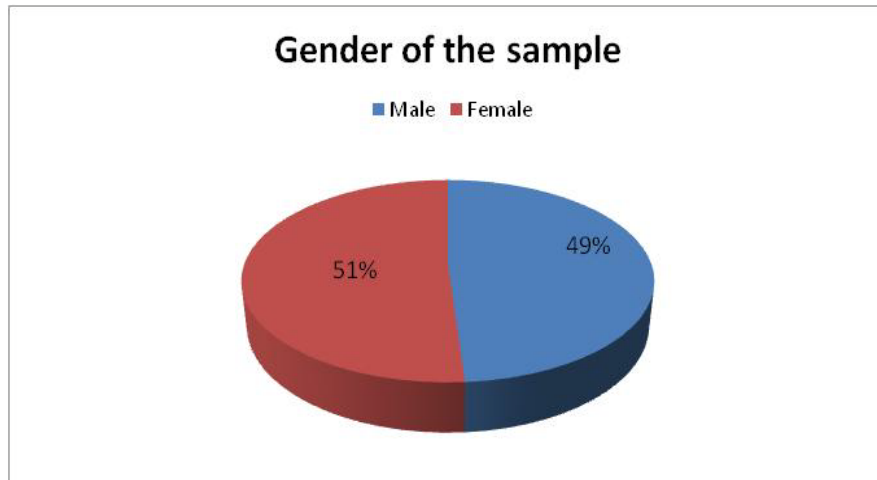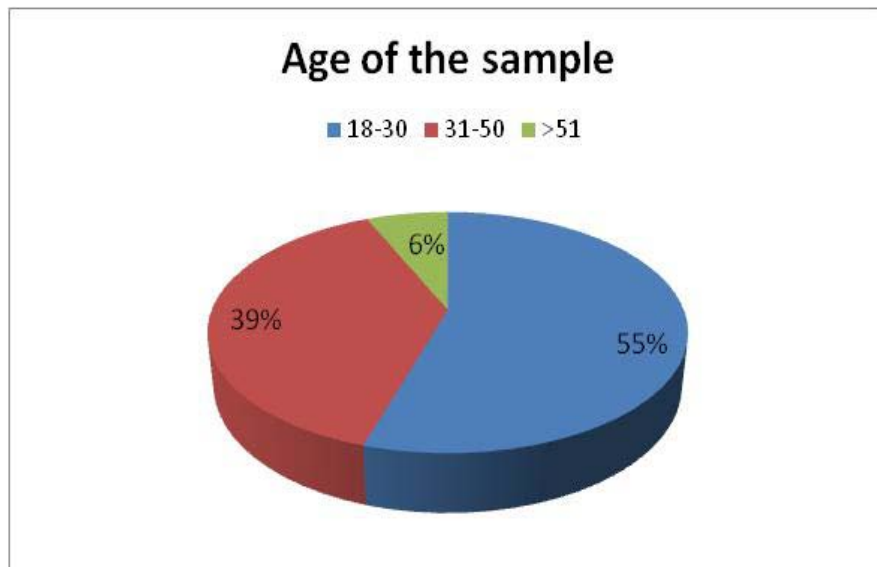**Figure 7 - Gender of the total sample**



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Figure 8 - Age of the total sample

Out of 137 ones 67 and 70 questionnaires were respectively completed by males and females, meaning that research instrument was almost equally distributed between the men and the women. As for the age of the sample, highest 55% of

applicants were aged between 18 and 30, 39% of the sample were between 31 and 50, and only 6% of the sample appeared to be over 51 years. In addition to age and sex, applicants were asked to rank five basic job satisfaction factors from 1 to 5 ranging from "very unimportant" to "very important".

As one of the aims of this paper is to identify which satisfaction factors are mostly influenced by mergers it was crucially important to measure importance of job satisfaction determinants for the employees of selected three companies.

Figure 9 - Importance of Job satisfaction determinants (mean average)
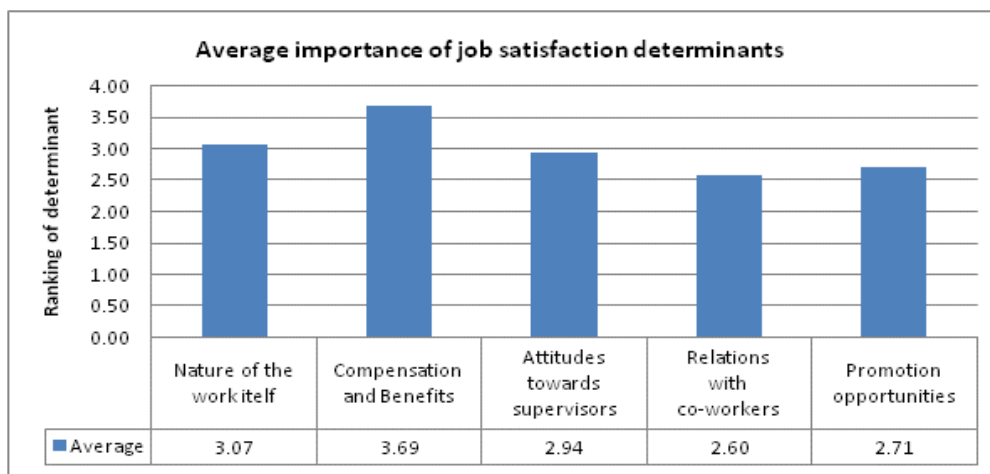
Importance of the determinants were analysed both, using the median and the mean averages of the answers. Averaging points (ranging from 1 to 5) using a simple mean average, "compensation and Benefits" was ranked to be leader between 5 job satisfaction determinants earning 3.69 points out of 5 maximum. This determinant was followed by "Nature of the work" and "Attitudes towards supervisors" with subsequent average points 3.07 and 2.94 (seeFigure 9 - Importance of Job satisfaction determinants (mean average)).

"Promotion opportunities" and "relation with co-workers" appeared to be the least important job satisfaction determinants by earning only 2.71 and 2.6 average point out of 5 maximum.

Table 3 - Importance of Job satisfaction determinants (mode average)

MODE of Importance	5	4	3	1	1
DETERMINANT / IMPORTANCE	Nature of the work itelf	Compensation and Benefits	Attitudes towards supervisors	Relations with co-workers	Promotion opportunities
(5) Very Important	36	31	20	27	23
(4) Important	17	59	29	14	18
(3) Neutral	30	25	35	18	29
(2) Unimportant	28	17	29	33	30
(1) Very unimportant	26	5	24	45	37

Same job satisfaction determinants were analysed according to mode of importance (see Table 3 - Importance of Job satisfaction determinants (mode average)). Highest number of 36 applicants out of 137 graded "Nature of the work" with 5 points and ranked this determinant as **very important**. "Compensation and benefits" was ranked as an **important** determinant by the highest number of 59 applicants out of 137. "Attitudes toward supervisors" was ranked as a **Neutral** determinant for 35 applicants. As for the "Promotion opportunities" and "Relations with co-workers", they were considered to be **Very unimportant** job satisfaction determinants by majority of the applicants.

4.3.3. Findings in VTB Bank Georgia

VTB Bank Georgia was the first company where researcher conducted quantitative and qualitative researches. Researcher managed to collect 46 completed questionnaires which ensured 9.16% margin of error according to Raosoft web sample size calculator. Such result was quite positive.

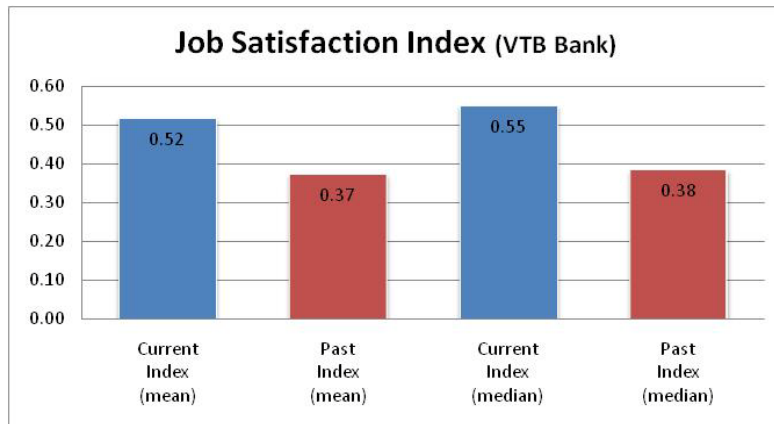**Table 4 - Shifts in Job satisfaction determinants (VTB Bank Georgia)**

VTB Bank (Sample of 46 Respodents)	Nature of the work itelf	Compensation and Benefits	Attitudes towards supervisors	Relations with co-workers	Promotion opportunities
Positive shift %	33%	65%	22%	24%	50%
Negative shift %	26%	9%	33%	9%	20%
No shift %	41%	26%	46%	67%	30%

"Nature of the work", "Compensation and benefits", Relation with co-workers" and "Promotion opportunities" were the job satisfaction determinants that contributed to increase in job satisfaction index (see Table 4). Out of these 4 determinants huge positive shift was observed in "Compensation and Benefits" determinant where 30 respondents out of 46 showed a positive shift. Only "Attitudes towards supervisors" was the determinant that had a negative shift in 33% of respondents in VTB Bank Georgia (versus 22% of respondents who showed positive shift in the same determinant).

Figure 10 - Average past and current Job satisfaction indexes (VTB Bank)

Positive shifts in four out of five determinants caused increase of the mean average in Job satisfaction index from 0.37 to 0.52. Median for the same index was increased from 0.38 to 0.55 (see Figure 10).

Figure 11 - Shifts in Job satisfaction index (VTB Bank Georgia)
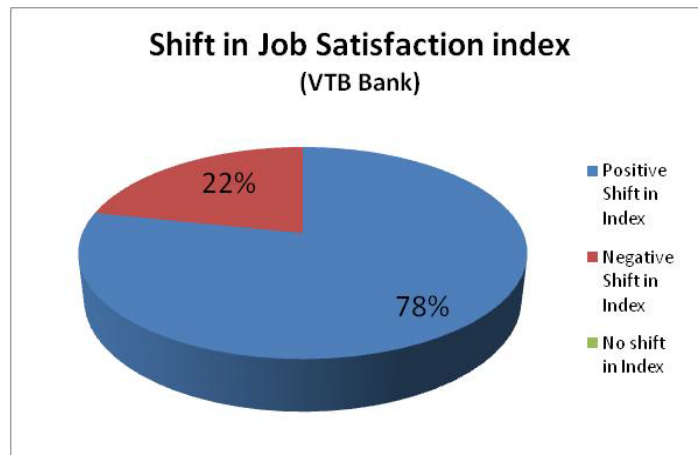
As a result 78% of total respondents in VTB Bank Georgia showed positive shift in the job satisfaction index. Having only 9.16% as a margin of error, it can be loudly stated that vast majority of VTB Bank employees have positive shift in their job satisfaction (see Figure 11).

4.3.4. Findings in Bank Republic SG

Bank Republic Sosiete Generale was another company where researcher conducted qualitative research. 48 completed questionnaires were completed which ensured 9.03% margin of error according to Raosoft web sample size calculator.

Table 5- Shifts in Job satisfaction determinants (Bank Republic SG)

Bank Republic SG	Nature of the work itelf	Compensation and Benefits	Attitudes towards supervisors	Relations with co-workers	Promotion opportunities
Positive shift %	42%	42%	6%	13%	42%
Negative shift %	13%	17%	25%	10%	25%
No shift %	46%	42%	69%	77%	33%

Employees of this company have basically shown no shifts in majority of job satisfaction determinants. "Promotion opportunities" was the only determinant that contributed positively in increase of job satisfaction index .42% of the respondents showed increase in this determinant (see Table 5). Other 4 motivation factors contributed in "no change" of satisfaction index.

Figure 12 - Shifts in Job satisfaction index (Bank Republic SG)

57
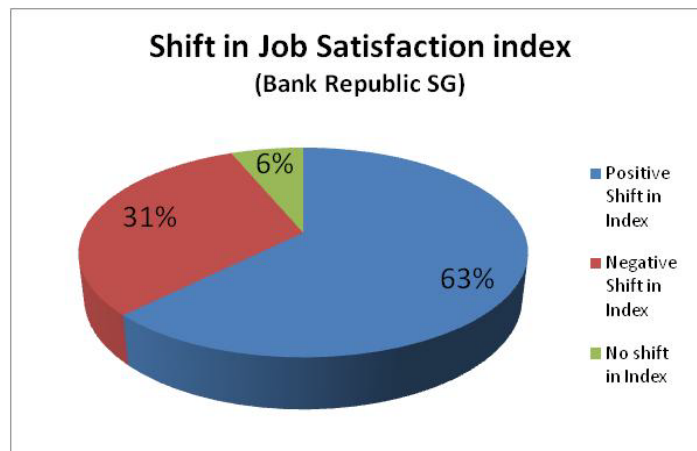
Because of this reason 6% of the BR SG respondents have showed no shift in satisfaction index what so ever. It seems that three factor out of five ("Nature of the work", "Compensations and Benefits" and "Promotion opportunities) still contributed in the increase of the index and 63% of total 48 respondents showed increased satisfaction between their jobs in BR and BR SG (see Figure 12)

Figure 13 - Average past and current Job satisfaction indexes (BR SG)
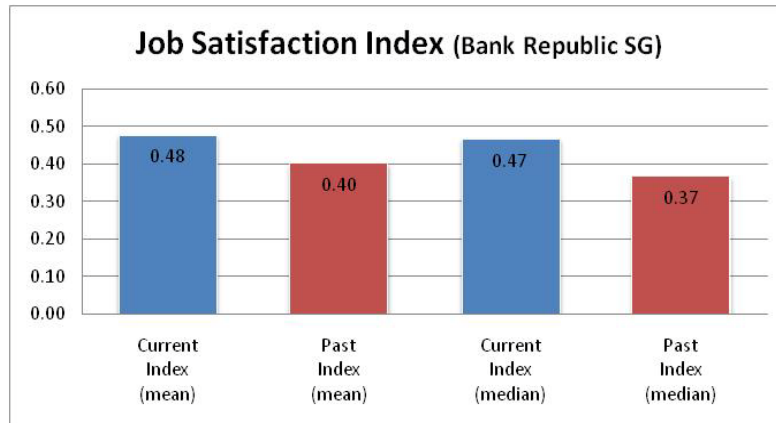
Although majority of the respondents showed positive increase in index, intensity of this increase was relatively low. Mean average of the index showed only a moderate increase in the overall companywide index from 0.40 to 0.48 (see Figure 13).

4.3.5. **Findings in Aldagi BCI insurance company**

Third company hosting researcher was Aldagi BCI, company, which was formed in 1995 as a result of acquisition. Researcher managed to collect 43 completed questionnaires out of 50 from Aldagi which ensured 8.91% margin of error according to Raosoft web sample size calculator. Although Aldagi provided researcher with least amount of completed questionnaires in comparison to VTB and BR SG, company showed the best result in terms of Margin of error that was caused by number of total population (total employees in the company) of only 250 people.

Table 6 - Shifts in Job satisfaction determinants (Aldagi BCI)

Aldagi BCI	Nature of the work itelf	Compensation and Benefits	Attitudes towards supervisors	Relations with co-workers	Promotion opportunities
Positive shift %	28%	19%	5%	5%	33%
Negative shift %	26%	26%	65%	16%	33%
No shift %	47%	56%	30%	79%	35%

When comparing positive versus negative shifts in job satisfaction determinants (paying no attention to "no shifts"), "Compensation and Benefits", "Attitudes toward supervisors" and "Relations with co-workers" were three determinants that decreased individual job satisfaction indexes. In other determinants, positive and negative shifts were offset by each other (see Table 6).

Figure 14 - Average past and current Job satisfaction indexes (Aldagi BCI)
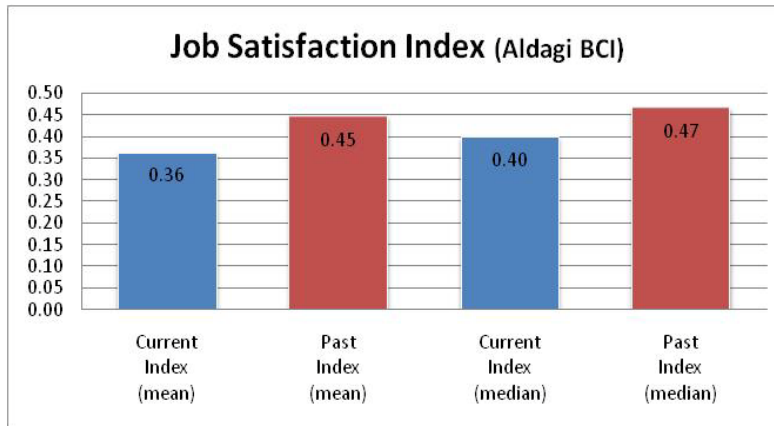
Paying attention to mean and median (Figure 14) averages of past and current job satisfaction indexes, we see that mean of the current index decreased from 0.45 to 0.36 and median average of the index decreased from 0.47 to 0.40. Decreases in both mean and median averages indicate absence of significant outliers whose shifts' could have intensively dragged average to a wrong direction. When observing number of positive and negative shifts in individual job satisfaction indexes on the Figure 15 - Shifts in Job satisfaction index (Aldagi BCI),- it becomes clear that 60% of 43 respondents underwent negative shift in their job

satisfaction when Aldagi Company was acquired by BCI Company and Aldagi BCI insurance company was established.

Figure 15 - Shifts in Job satisfaction index (Aldagi BCI)
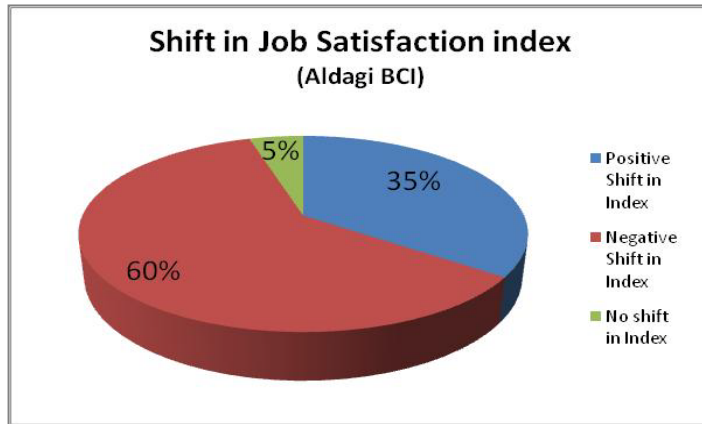
Having 8.91% as a margin of error with 80% of confidence it can be claimed that minimum 51.09% of total 250 employees had negative shifts in their motivation after the M&A deal.

4.3.6. Summary

Chapter of findings briefly overviewed selected research methods and methodology and continued with presentation of actual research findings. Chapter first introduced findings of qualitative study that was obtained via interviews with company top managers. Qualitative findings outlined details of three different mergers in terms of their cooperativeness, timing and financial results. Chapter continued with presentation of quantitative research where researcher collected data from sample of 150 employees. Quantitative research showed attitude of employees towards five basic satisfaction determinants in three Georgian companies VTB Bank Georgia, Bank Republic SG and Aldagi BCI.

Table 7 - Shifts in Job satisfaction determinants (All companies)

Shifts in Job Satisfaction Determinants	Nature of the work itelf	Compensation and Benefits	Attitudes towards supervisors	Relations with co-workers	Promotion opportunities
Positive shift %	34%	42%	11%	14%	42%
Negative shift %	21%	17%	40%	12%	26%
No shift %	45%	41%	49%	74%	33%
Positive shift	47	58	15	19	57
Negative shift	29	23	55	16	35
No shift	61	56	67	102	45
	137	137	137	137	137

Shifts in basic satisfaction factors for all of the above mentioned three companies were also presented in this chapter. These findings are summarised on the Table 7.

5. Conclusions and Implications

5.1. Introduction

Introduction chapter presents conclusions and implications derived from the findings of the study. Beginning with the critical evaluation of the adopted particular research methods and methodology, chapter goes on to present conclusions regarding each of the research objectives as set out in chapter 1. It also presents general conclusions about the research question of the investigation, followed by the presentation of limitations inherent to this research. The final two sections of this chapter respectively provide opportunities for further research.

5.2. Critical evaluation of adopted methodology

As most of the existing researches, this one also has many limitations. Although paper has shortfalls in both research methods and methodology, researcher doesn't consider them as distorting factors to research conclusions. *"In which merger category is workforce motivation decreased and which motivation factors should mostly be considered to avoid it"* – it is the research question that researcher wrote in the first chapter of paper and strived to answer during more than 5 months. In order to test the hypothesis -*"Employee job satisfaction decreases as a consequence of hostile mergers and acquisitions"* (Pritchett, Robinson and Clarkson), researcher had first to identify companies that underwent M&A process in Georgian market, interview their top management and as a result to (1) assign specific merger categories to them. Researcher next had to (2) measure employee job satisfaction shifts by questioning sample of company workers. At the final stage researcher had to (3) compare degree of specific merger cooperativeness and shift of employee job satisfaction in specific companies.

Having not enough time resources researcher wasn't able to conduct research in more than three companies and he limited study with only one country. It limited

research with geography (Georgia). The fact that all of the three research companies were operating in the financial industry limited study with specific industry boundaries (financial sector). Because of above mentioned reasons research moved from being partially realist and became purely Interpretivist in sense of its methodology.

The process to assign specific merger categories proposed by Pritchett, Robinson and Clarkson to companies is very difficult process as it leaves big room for prejudice and interpretation. In order to deal with subjective interpretations researcher had to interview several top managers from each of the company who witnessed specific M&A procedure. Based on second and third manager opinions researcher could have drawn objective conclusion about the merger category. Unfortunately researcher was not able to get second and third opinions about merger categories based decision on the interview of only three top managers from three companies.

Limitations came from the quantitative part of the research as well. After assigning companies to specific merger categories researcher measured employee job satisfaction shifts in organisations using 5 job satisfaction factors proposed by JDI. However researcher was not able to find employees who left companies after the merger and include them in research sample. Although companies experienced only small employee bailouts after the merger (no more than 5%) it may be considered as a limitation to research.

5.3. Conclusions about research objectives

As outlined in previous chapters research paper has the objectives to identify *(1)* *which satisfaction factors are mostly influenced by mergers and (2) which merger categories tend to increase or decrease* these factors. Looking at the Table 7 - Shifts in Job satisfaction determinants (All companies)) that measures intensity of job satisfaction determinant shifts (chapter 4), we see that mergers have caused negative shifts in "attitudes towards supervisors". 40% of the total

sample said that relationship with their supervisors, ceteris paribus, has decreased their overall job satisfaction. ***Too little coaching and feedback*** and loss ***of trust and confidence in senior leaders*** were factors described by Leigh Branham that decreases employee job satisfaction and usually come from relationship between subordinate and senior workers. Our research showed that supervisors play big role during M&A integration projects as workers always find it difficult to deal with new bosses. "Nature of the work itself", "Promotion opportunities" and "Compensations" appeared to be sensitive determinants to M&A procedures. Corporate finance book by Ross, Westerfield and Jaffe discussed in the second chapter, outlines cost reduction as one of the three main advantages of mergers. Cost reduction can be achieved by stuff cost cutting that on the one hand reduces number of bosses and centralises authority. Centralised authority spoils relationship between workers and supervisors. On the other hand effective cost cutting increases companywide wealth and contributes to better long term "Compensations and Benefits" per employee. 42% of the total sample versus 17% showed positive shift in "Compensations and Benefits" determinant after the merger (see Table 7 - Shifts in Job satisfaction determinants (All companies)). Those that do not grow tend to stagnate, lose customers and market share, and destroy shareholder value" reads the paraphrase from research paper by Sherman and Hart (2006) in the very first section of this paper. Indeed, growth has been a traditional reason that justified mergers and acquisitions. It is obvious that people find more "Promotion opportunities" in big companies and that is why 42% of respondents showed their increased satisfaction after the merger according to this determinant (Table 7). Only determinant that showed to be inelastic to mergers and acquisitions is "Relations with co-workers" (102 respondents out of 137 showed no shift in this factor). If we take a look in chapter 4 and discover that "Relations with co-workers" was satisfaction determinant ranked as "very unimportant" by majority of the applicants (see Table 3 - Importance of Job satisfaction determinants (mode average)) and took the lowest mean average value of 2.60 points among other determinants (see Figure 9 - Importance of Job

satisfaction determinants (mean average)). Being ranked as so unimportant, it is not surprising that this satisfaction determinant isn't elastic to changes; this determinant appeared to be just out of our sample's attention.

Second objective of the study was to find out which merger categories tend to increase or decrease job satisfaction determinants and overall job satisfaction. In order to answer to this question researcher had to discuss each of the company case, identify its merger type and analyse shift in workforce overall job satisfaction.

In order to get answer to the second research objective *"which merger categories tend to increase or decrease satisfaction factors"* researcher had first to allocate companies to specific merger categories according to three basic check factors discussed in the second chapter. After observing movements of satisfaction determinants in companies, researcher could have found logical connection between specific merger types and specific shifts in employee job satisfactions.

5.4. Comparison of Mergers – Allocating merger types to case studies

In order to compare research findings with theoretical conceptual model presented in literature review chapter (Figure 6 - Conceptual model applied to link different merger categories with shifts in job satisfaction) researcher had to make sure that s/he properly assigned merger categories to specific M&A case studies. VTB Bank Georgia, Bank Republic SG and Aldagi BCI case studies were evaluated according to three different aspects: (1) timing, (2) cooperativeness and (3) pre/ post financial healthiness of companies. Following figure 16 shows cooperativeness of mergers.

Figure 16 - Cooperativeness of the Mergers

Adapted and modified, Source: Pritchett, Robinson, Clarkson

Based on the interviews with Evgeni Namerinsky, former CEO and current chairman of VTB Bank Georgia, George Tkhelidze, former CEO of Aldagi Insurance Company and Giga Katsia Former CEO of Bank Republic researcher marked all of the relevant comments and details about cooperativeness between acquired and acquiring parties. Obtained information indicated that case of VTB Bank Georgia was most cooperative between these three scenarios followed by Bank Republic SG and Aldagi BCI. Case of Aldagi BCI was undoubtedly adversarial merger category as history of the deal showed no single evidence of any kind of communication between management of acquired and acquiring companies.

Researcher found difficult to compare companies' pre and post merger financial soundness based on their financial documents. Because of the crisis it was not possible to separate outcomes caused by the effects of merger and crisis. In order to deal with this problem researcher selected bottom up approach and used employee opinion to measure pre and post financial healthiness of sample companies. "Employees are part of the organisation and they always feel whether problems are caused by internal or external factors... they will always tolerate problems caused by the crisis" – says Evgeni Namerinsky chairman of VTB Bank Georgia. Analysing shifts in employee satisfaction observing only "Compensation and benefits" determinant researcher summarised appropriate values from Table 4, Table 5, and Table 6 and presented them on the Figure 17 - Positive shifts in "Compensations and benefits":

Figure 17 - Positive shifts in "Compensations and benefits"

VTB Bank Georgia	65%
Bank Republic SG	42%
Aldagi BCI Company	19%

Research showed that out of 43 respondents in Aldagi BCI only 19% were satisfied with their post merger compensation and benefits. Rest of the respondents showed negative or neutral results for this determinant. VTB Bank

Georgia was the opposite case where 65% of employees were satisfied with their salary increase which was probably linked with financial healthiness of the company.

Third determinant was decisive in process of merger category allocation. Managers of companies who witnessed company mergers were asked direct question about the timing of specific merger.

Figure 18 - Timing of case study mergers
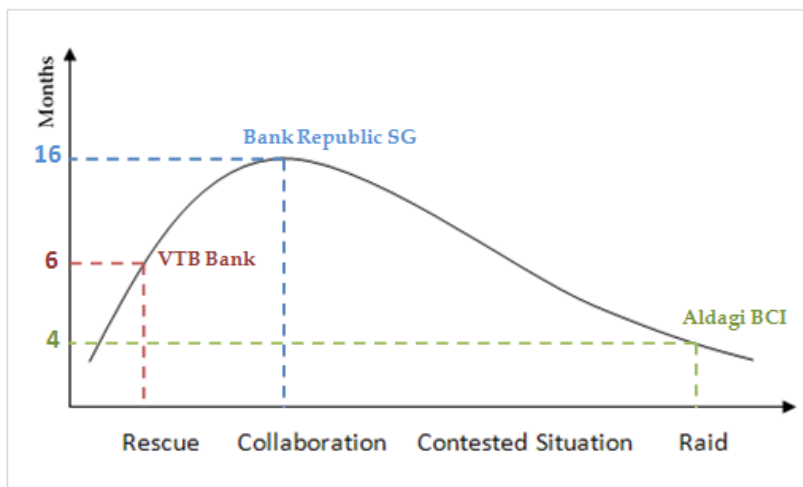
Adapted and Modified, Source: Daniel and Metcalf 2001

Figure 18   is a populated version of Figure 5 -Timing of different types of Mergers – presented in the Literature Review chapter. It presents timing of case stud mergers and shows that about 16 months went on the merger process between Bank Republic and Societe Generale Group. It took only 4 and 3 months to execute Aldagi-BCI and VTB Group-UGB deals. Analysing merger timing in conjunction other two determinants and comparing to theory of Pritchett, Robinson and Clarkson presented on Literature Review chapter researcher was able to allocate proper merger categories to specific deals (see Figure 18).

5.4.1. VTB Bank Georgia – Rescue

After the interview with Evgeni Namerinsky, former CEO and current chairman of **VTB Bank Georgia**, researcher was able to get enough information to identify

merger category of VTB Bank. Evgeni said that takeover process was completed after four months and additional two months was required to rebrand the company. "Such effectiveness in timing was caused by cooperativeness between managements of the two companies" said Mr. Evgeni in his interview. He explained need of the merger with company's (UGB) difficult financial situation caused with low liquidity. Paying attention to above mentioned three basic factors, researcher found that case of UGB and VTB Bank merger was very similar to Rescue merger category described by Pritchett, Robinson and Clarkson It reads in the chapter of literature Review, that rescue normally develops as a result of financial distress in acquired company and purchasing firm is always considered as a welcome party because of this reason. Rescue involves highest degree of cooperation between two companies. Rescue merger type is expected to be very short in execution time. Time has extremely high value for a company during financial distress and time pressures rarely permit sufficient analyses of a situation.

Shift in overall employee job satisfaction in VTB Bank Georgia appeared to be quite positive. 78% of total respondents showed increase in job satisfaction (see Figure 11 - Shifts in Job satisfaction index (VTB Bank Georgia)) and research in VTB Bank Georgia are in line with conceptual model proposed in Literature Review chapter (Figure 6) and proved that cooperative merger type causes positive shifts in employee job satisfaction.

Increase in overall employee job satisfaction in VTB Bank Georgia was mainly driven by positive shifts in "Compensation and Benefits" and "Promotion opportunity" factors (65% and 50% positive shifts – see Table 4). It again emphasises a fact that UGB & VTB Group merger was caused with poor financial condition of the Georgian bank. After the merger company increased its profitability and compensations for the employees apparently. Growth in the market share positively influenced perception about promotion opportunities and contributed to increase in employee job satisfaction.

5.4.2. Aldagi BCI – Raid

After the interview with George Tkhelidze, Former CEO of Aldagi Insurance Company, it wasn't difficult to guess merger type between Aldagi and BCI companies in 2005. All of the three factors (timing of merger, collaboration between parties, company pre and post merger financial health) indicated to the Raid merger category. Mr. George told how he and his team suddenly found out about the solution of shareholders to sell the company. This situation is named as a "tender offer" in corporate finance book Ross, Westerfield and Jaffe. During a tender offer, that is typical feature of hostile mergers, existing shareholders are personally contacted and offered premiums over the market price of stocks. In literature review chapter it reads that job satisfaction of employees normally deteriorates after the Raid. When employees realise approach of dramatic changes, they immediately start subconscious defensive resistance. Facing such resistance from employees bidders try to execute deal as soon as possible and pushes transaction very hard. Indeed, Mr. George Tkhelidze said that M&A process took only 4 months (Figure 18) and within the half year after initial negotiations absolutely new company, Aldagi BCI was founded.

Examining shifts in job satisfaction determinants it is evident that overall negative satisfaction shift was driven by deteriorated relationships with supervisors. Research showed that 65% of respondents have spoiled "Attitudes towards supervisors" in Aldagi BCI (Table 6 - Shifts in Job satisfaction determinants (Aldagi BCI)). It caused decrease in overall job satisfaction index from 0.45 to 0.36 and deterioration in job satisfaction for 60% of respondents (see Figure 14 & Figure 15). Having such negative companywide job satisfaction shift case study proved the theory that adversarial mergers tend to decrease employee job satisfaction.

5.4.3. Bank Republic Societe Generale - Collaboration

Mr. Giga Katsia Former CEO of Bank Republic was a person who led managed the M&A deal with Societe Generale Group in 1991. His comments about the timing of merger, collaboration between negotiating parties and company's pre and post financial soundness gave a lot of clues to the researcher about the merger category of above mentioned companies. Mr. Giga told that M&A process was well planned and it took up to 18 months to finish the deal. With intermediation of EBRD, Band Republic managed to negotiate a deal with SG group. With this deal Bank Republic SG managed to grasp 10% of total market and to obtain image of the safest bank in Georgian market. With its features BR-SG deal was very similar to collaboration merger types since Collaborations are better organised merger categories and they take more time to be executed. During collaboration both parties know what they want from each other. They realise importance of timing and want to minimize mistakes.

As most of collaborations, Bank Republic – Sosiete Generale deal appeared to be successful in terms of employee satisfaction. "Nature of the work", "Compensation and Benefits" and "Promotion Opportunities" were the factors that contributed to increased workforce satisfaction and positive shifts with 63% of respondents (see Table 5 & Figure 12). Merging with such well known organisation as Sosiete Generale Group it wasn't surprising that most of the employees revalued their attitudes toward promotion opportunities. Introduced bonus system motivated employees and increased their compensation. Being ranked as Collaboration, BR-SG case study proved that collaboration type mergers take long time to be closed but bring benefits to companies and employees of both involved parties.

5.5. Conclusions About the Research Question

After allocating specific merger categories to 3 different M&A deals and calculating overall job satisfaction shifts in case study companies, researcher can

find out answer to the research question *"Whether employee job satisfaction decrease as a consequence of adversarial mergers and acquisitions or not".* Conceptual model that was constructed based on researches of existing literature (Figure 6) illustrated positive theoretical relationship between workforce Satisfaction and merger cooperativeness. Theoretical model stated that adversarial merger types de-motivated employees and caused incline in workforce resistance. Putting together findings of qualitative and quantitative researches researcher constructed Figure 19 - Comparison of conceptual model with research findings- that compares theoretical conceptual model to practical research outcomes.

Figure 19 - Comparison of conceptual model with research findings
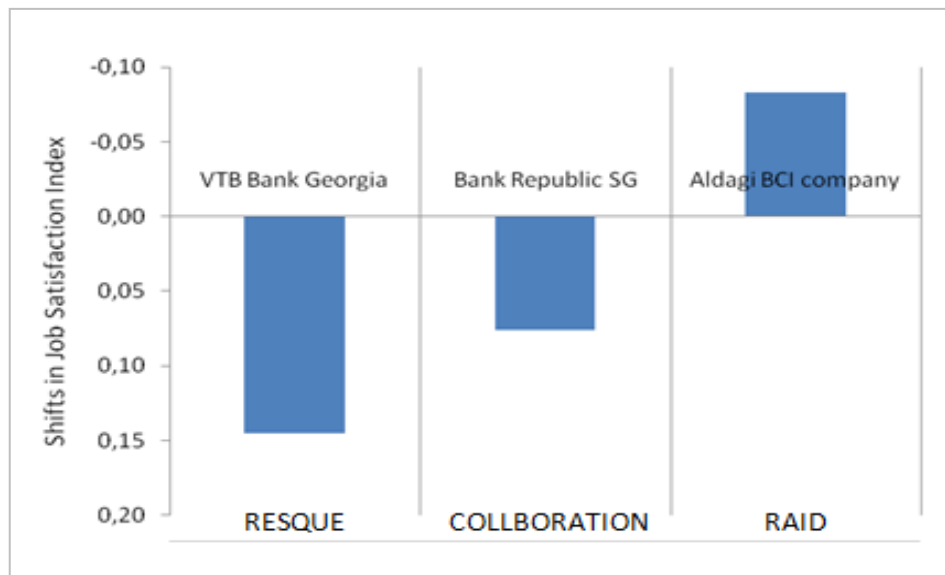
Vertical axis of the graph shows results of qualitative study – shifts in job satisfaction index. Shift takes value of specific number that is calculated by subtracting past job satisfaction index mean average from the current one. Horizontal axis illustrates findings of qualitative study where researcher had to interview managers and allocate four basic merger categories to specific M&A deals. Analysing case studies of three Georgian companies Figure 19 shows that cooperative mergers resulted in increased employee job satisfaction, whereas negative shift in job satisfaction was observed in case of adversarial merger. As a

result of this finding hypothesis *"Employee job satisfaction decrease as a consequence of adversarial mergers and acquisitions"* can be proved (taking country and industry boundaries under consideration).

5.6. Limitations

The objective of this study is to evaluate connection between employee post merger job satisfaction shifts with four basic merger categories. All of the major limitations were known prior to actual research and were described in section 1.4 Methodology. The only limitation that became apparent during the process of research was number of employees included in sample of case study companies. Researcher initially hoped to collect enough respondents to satisfy high standard degree of confidence (95%) and margin of error (5%). Due to time resource constraints researcher wasn't able collect that much respondents and had to accept lower standards of research preciseness 80% of degree of confidence with 10% margin of error.

5.7. Opportunities for Further Research

Future studies should look forward to generalise findings by eliminating country and industry boundaries. Further studies should analyse case studies of more companies outside the Georgia and Caucasus region. Notwithstanding the fact that M&A procedures are quite often in global economy they are far more less than any other kind financial transactions. Because of this reason research topic gives opportunity researchers to come up with world wide generalisations. More attention should be given to measurement of employee job satisfactions. Researcher believes that one can derive to almost 100% accurate outcomes using advanced questionnaires and mixed with other research methods, such as face-to-face and focus group interviews, when measuring employee job satisfaction.

5.8. Conclusions

This chapter presented conclusions and implications derived from the findings of the study. Chapter started with the critical evaluation of the methodology adopted, it explained how researcher was successful in selection of appropriate research methodology. The chapter continued to present conclusions about each of the research objectives and research question presented in the first chapter. Chapter finished with the presentation of limitations inherent to this research. The final section of this chapter provided opportunities for further research.

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7. Annexes

7.1. Annex 1 – Questionnaire for interviewing company managers

Questions to check appropriateness of existing employee sample in organisation and approximate number of respondents for maintaining acceptable Margin of Error.

1. Number of employees working in the organisation (Approx)

2. Number (or proportion) of new comers after the merger (Approx)

3. Number (or proportion) of employees leaving the firm after the merger (Approx)

Questions to classify and allocate merger to four basic merger types (rescue, collaboration, contested situation, raid) identified by Pritchett Robinson and Clarkson.

4. How fast was the merger deal closed after starting the negotiations between acquired and acquiring firm

5. How strong was cooperativeness between the management of acquired and acquiring firm during the M&A process

6. Please compare company's pre and post merger financial healthiness.

7.2. Annex 2 - Questionnaire for measuring employee job satisfactions

Dear Participant:

I am a post graduate student at Chester Business School, studying to receive a degree of Master of Business Administration (MBA). I am conducting study "Implications of Job-Satisfaction Shifts with different merger categories"

I will be extremely thankful, if you could kindly complete the attached questionnaire and make your contribution to the survey.

All questionnaires will be treated with strict confidentiality.

Thank you,

Valerian Gabunia

ძვირფასო მონაწილევ:

ვარ ჩესტერის ბიზნეს სკოლის კურსდამტავრებული და ვცდილობ მასტერის წოდების მიღებას ბიზნესის ადმინისტრირების განხრით. ამჟამად ვატარებ კვლევას სახელწოდებით "სამსახურეობრივი კმაყოფილების ცვლილება კომპანიათა შერწყმის სხვადასხვა ტიპებისას".

ვიქნები ძალზედ მადლობელი თუ დაუთმობთ დროს ამ მარტივი კითხვარის შევსებას და შეიტანთ თქვენს წვლილის კვლევაში.

თქვენს მიერ გაცემული ინფორმაცია კონფიდენციალურია.

წინასწარ გიხდით მადლობას.

ვალერიან გაბუნია

Please Rank job-satisfaction determinants from 1 to 5 according to their importance to you ("5" means very important / "1" means not important, Please mind that determinants can not be repeated). გთხოვთ დაალაგოთ სამსახურეობრივი კმაყოფილების განმსაზღვრელი ფაქტორები მნიშვნელობის მიხედვით 1-დან 5-მდე ("5" ნიშნავს ძალიან მნიშვნელოვანს/ "1" ნიშნავს უმნიშვნელოს, გთხოვთ დაითვალისწინოთ რომ, დეტერმინანტების გამეორება დაუშვებელია).

( ) Nature of the work itself (სამუშაოს ტიპი)
( ) Compensations and benefits (ანაზღაურება და შეღავათები)
( ) Attitudes towards supervisors (ზემდგომებთან დამოკიდებულება)
( ) Relations with co-workers (თანამშრომლებთან დამოკიდებულება)
( ) Promotion opportunities (დაწინაურების პერსპექტივები)

Please answer following multiple-choices and share about your job satisfaction <u>with your current job</u> **(At "Bank Republic").** გთხოვთ უპასუხოთ ქვემოთ მოყვანილ ტესტებს და გაგვიზიაროთ მოსაზრება <u>თქვენი ახლანდელი სამსახურით</u> კმაყოფილების შესახებ <u>**("ბანკ რესპუბლიკაში")**</u>

A. Gender (სქესი)

    a. (male) მამაკაცი   b. (female) ქალი

  B.   Age (ასაკი)

    a. 18-30   b. 31-50   c. 51>

1. Nature of the work itself (სამუშაოს ტიპი)

  a. Very interesting (ძალიან საინტერესო)
  b. Interesting (საინტერესო)
  c. Normal (ნორმალური)
  d. Not Interesting (უინტერესო)
  e. Very uninteresting (ძალიან უინტერესო)

2. Compensations and benefits (ანაზღაურება და სარგებელი)

  a. Very well paid (ძალიან კარგად ანაზღაურებადი)
  b. Well paid (კარგად ანაზღაურებადი)
  c. Fair (საშუალოდ/სამართლიანად ანაზღაურებადი)
  d. Poorly paid (ცუდად ანაზღაურებადი)
  e. Very poorly paid (ძალიან ცუდად ანაზღაურებადი)

  f. Attitudes of my supervisors towards me (ზემდგომების დამოკიდებულება ჩემდამი)
  g. Very good (ძალიან კარგი)   j. Bad (ცუდი)
  h. Good (კარგი)   k. Very bad (ძალიან ცუდი)
  i. Average (საშუალო)

3. Relations with co-workers (თანამშრომლებთან დამოკიდებულება)

  a. Very good (ძალიან კარგი)   d. Bad (ცუდი)
  b. Good (კარგი)   e. Very bad (ძალიან ცუდი)
  c. Average (საშუალო)

4. Promotion opportunities (დაწინაურების პერსპექტივები)

  a. Very good (ძალიან კარგი)   d. Bad (ცუდი)
  b. Good (კარგი)   e. Very bad (ძალიან ცუდი)
  c. Average (საშუალო)

Please answer following multiple-choices and share about your past job satisfaction with your prior job **(At "Bank Republic")** გთხოვთ უპასუხოთ ქვემოთ მოყვანილ ტესტებს და გაგვიზიაროთ მოსაზრება თქვენი წინა სამსახურით კმაყოფილების შესახებ **("ბანკ რესპუბლიკაში")**

5. Nature of the work itself (სამუშაოს ტიპი)

    a. Very interesting (ძალიან საინტერესო)
    b. Interesting (საინტერესო)
    c. Normal (ნორმალური)
    d. Not Interesting (უინტერესო)
    e. Very uninteresting (ძალიან უინტერესო)

6. Compensations and benefits (ანაზღაურება და სარგებელი)

    a. Very well paid (ძალიან კარგად ანაზღაურებადი)
    b. Well paid (კარგად ანაზღაურებადი)
    c. Fair (საშუალოდ/სამართლიანად ანაზღაურებადი)
    d. Poorly paid (ცუდად ანაზღაურებადი)
    e. Very poorly paid (ძალიან ცუდად ანაზღაურებადი)

7. Attitudes of my supervisors towards me (ზემდგომების დამოკიდებულება ჩემდამი)

    a. Very good (ძალიან კარგი)   d. Bad (ცუდი)
    b. Good (კარგი)   e. Very bad (ძალიან ცუდი)
    c. Average (საშუალო)

8.   Relations with co-workers (თანამშრომლებთან დამოკიდებულება)

    a. Very good (ძალიან კარგი)   d. Bad (ცუდი)
    b. Good (კარგი)   e. Very bad (ძალიან ცუდი)
    c. Average (საშუალო)

9. Promotion opportunities (დაწინაურების პერსპექტივები)

    a. Very good (ძალიან კარგი)   d. Bad (ცუდი)
    b. Good (კარგი)   e. Very bad (ძალიან ცუდი)
    c. Average (საშუალო)

<div align="center">

Thanks you for your Consideration!

მადლობას გიხდით თანადგომისათვის!

</div>

7.3. Annex 3 – Calculating of Job Satisfaction Index

Determinants	Weight in Model[1]	Points Earned[2] (Present Job)	Index[3] ($\underline{W}*\underline{P}$)
Nature of the work itself			
Compensations and benefits			
Attitudes towards supervisors			
Relations with co-workers			
Promotion opportunities			
Job Satisfaction Index (sum)			

Determinants	Weight in Model	Points Earned (Past Job)	Index ($\underline{W}*\underline{P}$)
Nature of the work itself			
Compensations and benefits			
Attitudes towards supervisors			
Relations with co-workers			
Promotion opportunities			
Job Satisfaction Index (sum)			

Job Satisfaction Index	Current	Past	Shift (C-P)

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[1] **Weights** of each determinant is determined by ranking that applicant assigns to particular satisfaction determinant. Rating ranges from 1 to 5 according to their importance and weights take value of 7%, 13%, 20%, 27% and 33% according to the ranking of particular determinant

[2] **Point** is another value that satisfaction determinant takes. Applicant may feel (1) Very good, (2) Good, (3) Neutral, (4) Bad and (5) Very bad about the particular satisfaction determinant. According to applicants' feeling satisfaction determinant respectively takes value/point of -1, -0.5, 0, 0.5 and 1.

[3] **Job satisfaction index** is a sum-product of weights and points for all of the five job satisfaction determinants